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CANADA

Mulroney hits at internal trade curbs

Page 5

World News

De Maizière quits party post over Stasi claims

Eastern Germany's top politician, Lothar de Maizière, resigned his cabinet and party posts in united Germany after failing to disprove charges he had once been a communist informer for the "Stasi" secret police.

Mr De Maizière, prime minister of East Germany's first and last freely elected government until unity in October, said he was innocent and pledged to clear his name. Page 20

New role for Nato

The US gave its broad support to the creation of a stronger European security and defence identity, as long as it took place within the existing Nato alliance. Page 2

Albania clampdown

The Albanian authorities moved quickly to avert further unrest and demonstrations by arresting and putting on trial 157 people involved in last Friday's mass protests. Page 2; Editorial Comment, Page 18

Blackmailer jailed

Rodney Whitchelo, a former British detective, was jailed for 17 years for spiking Heinz baby food with razor blades and rat poison in a £3.8m ($7.3m) extortion plot.

Israel blockade

Israeli police have blocked thousands of Palestinians from entering Jerusalem in a bid to head off potentially bloody clashes with Jewish extremists. Page 4

Chernobyl payout

The Swiss government ended a four-year legal battle by agreeing to pay vegetable farmers SFr8.7m ($6.8m) for losses linked to fallout from the 1986 Chernobyl nuclear power plant accident.

Taj Mahal closed

The Indian city of Agra, site of the Taj Mahal, was placed under indefinite curfew after at least 11 people were killed in Hindu-Moslem violence gripping the country. Page 4

Tremor shakes Iran

A powerful earthquake rocked the coastal Iranian province of Bushehr, injuring at least 25 people, causing landslides and blocking roads.

New schools chief

President George Bush chose former Tennessee governor Lamar Alexander to fill the post of education secretary, vacated last week when Lauro Cavazos was forced to resign. Page 5

Front seeks coalition

Romania's ruling National Salvation Front, which was catapulted into power during last December's revolution, may form a government of national unity. Page 2

Appeal date set

The appeal by the Birmingham Six, the men convicted for the 1974 terrorist bombings of two pubs in which 21 people died, is to begin on February 25. Page 6

Haiti poll violence

Police opened fire at a crowd of Haitians celebrating the electoral victory of Father Jean-Bertrand Aristide, a left-wing priest, and eyewitnesses said one woman was killed. Page 5

Inflation rate leak

Ireland launched an investigation into the leak of market-sensitive inflation figures to money traders, which sparked a flurry of trading in government gilts on Thursday.

Move to democracy

President Kenneth Kuanda signed amendments to the Zambian constitution at a brief ceremony in Lusaka, officially bringing to an end the one-party system he imposed 17 years ago.

Business Summary

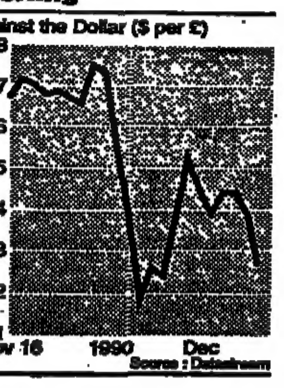
EC to outlaw laundering of money in war on drugs

European finance ministers agreed to make money laundering a criminal offence across the Community, in an attempt to combat the estimated $120bn-a-year business in processing drug money.

Sir Leon Brittan, the EC commissioner responsible for the financial sector, said that the directive would prevent individuals from "salting away ill-gotten gains". Page 20

FOREIGN EXCHANGES: Markets were more sensitive to the Gulf crisis with the dollar attracting investors' attention as a safe haven currency in times of international tension.

Sterling



Sterling weakened on the belief that the economic slowdown will force a cut in UK interest rates and closed in London at $1.9270 from $1.9395. Currencies, Page 36

MARKETS: Nikkei average closed 261.59 down at 24,087.91 after opening at the day's high of 24,326.91. Frankfurt saw the bulk of its selling in the last hour of trading, with the DAX falling 46.53, or 3.1 per cent. Wall Street: Threat of war in the Gulf hung heavily over the market, with indices drifting lower in early listless trading. But the Dow Jones Industrial Average closed only 0.49 down at 2,593.32, after pulling back early losses. Stock Markets, Page 40

BRITISH government came under increasing pressure from the US to allow its two biggest carriers, American Airlines and United Airlines, to operate transatlantic services into London's Heathrow airport. Page 20

MAXWELL Communication Corporation senior debt was downgraded to a rating indicating "a possibility of investment risk developing" by the London-based credit rating agency, IBCA. Page 22

ASIL Nadir, chairman of Polly Peck International, failed to raise £3.5m ($6.7m) bail in London after facing charges of theft and false accounting amounting to £25m. Page 20

RICOH, Japanese office automation equipment maker, is to build a general purpose factory in the Chinese special economic zone of Shenzhen, near Hong Kong, which will become a base for the export of plain paper copiers. Page 3

BANCO Central, large Spanish bank, launched a bid for outright control of Azucarera Espanola, Spain's second largest sugar refiner. Page 21

DRAGONAIR, fledgling Hong Kong airline controlled by UK, Hong Kong and Chinese interests, is opening four more offices in China, part of a plan announced earlier this year for the airline to become a feeder carrier into China to serve Cathay Pacific's hub in Hong Kong. Page 24

INTERNATIONAL Paper, aggressive US forest products group, plans to take a $212m pre-tax charge to cover the sale or liquidation of assets which are not strategically important or not making an adequate return. Page 24

JAPANESE government is to sell 500,000 shares a year in Nippon Telegraph and Telephone over the next five years starting in April. Page 25

Hongkong Bank calls off merger plan, joins exodus

By John Elliott in Hong Kong and David Lascelles in London

MIDLAND Bank and Hongkong & Shanghai Banking Corporation called off their three-year engagement yesterday, saying that "this is not the right time" to consider a merger.

At the same time the Hongkong Bank announced a corporate restructuring which means that it is joining Hong Kong's corporate exodus ahead of the colony's return to Chinese sovereignty in 1997.

It is setting up a group holding company in London called HSBC Holdings which will establish its domicile for incorporation in the UK and give it some protection from the ups and downs of Hong Kong before and after 1997.

The bank is by far the most important of about 100 Hong Kong companies to have moved their domicile overseas in the past six years and its move is expected to knock business confidence in the colony. But the shock will not be so great as it would have been two or three years ago. There is likely to be an angry response from China which will see the bank's move as confirmation of fears it has held that the colony's main riches would be removed by the British before 1997.

To reduce the impact of the announcement, Mr William Purves, the chairman, stressed that "we are emphatically not turning our back on Hong Kong". The control and management of the group would continue to be exercised from Hong Kong along with the bank's headquarters and primary stock exchange listing. It would also continue to be regulated primarily by the colony's banking commissioner.

Sir Piers Jacobs, the colony's financial secretary, welcomed the move because the domicile of the operating arms of the bank would remain in Hong Kong. "The new structure will assure international confidence in HSBC and thereby help to assure that Hong Kong remains a thriving international financial centre," he said.

One of the bank's main reasons for arranging the possible marriage with the Midland in 1987 was to secure a base outside Hong Kong without having itself to move domicile. With that plan being shelved, and with 1997 approaching, the bank last week decided it had to make the move on its own.

Subject to approval from an extraordinary general meeting in February, it will use a subsidiary, Silom, incorporated in the UK, whose name will be changed to HSBC. Silom only owns a bank building in Bangkok and is therefore non-resident for tax purposes.

The break-off of the engagement had been widely expected following the severe losses suffered by both banks this year.

Sir Kit McMahon, Midland's chairman, said: "It's sad for both of us because it's been a union that has taken a lot of effort and time."

The banks had developed extensive co-operation links and had swapped businesses in many parts of the world. The banks will preserve some links, and will continue to share directors.

A parting of the ways, Page 18; Lex, Page 20

Delors accuses ministers over commitment to Emu

By David Buchan in Brussels

MR Jacques Delors said yesterday that the German, Dutch, Spanish and French finance ministers were giving the impression of reneging on their governments' commitment to economic and monetary union (Emu).

In an interview, the European Commission president said he had not sought to single Britain out when he warned on Saturday of a possible "political crisis".

"I am no longer so sure that Britain is the biggest menance," he said yesterday.

Speaking on the eve of a Commons statement on the Rome summit by Mr John Major, Mr Delors said he had not wanted to cast a shadow over the UK prime minister.

Mr Major, he said, had made a very good EC summit debut, and revealed himself to be potentially a better performer as prime minister than as chancellor of the exchequer.

Mr Delors explained that his "cry of alarm" at the weekend reflected his anxiety that several of Britain's EC partners were going back on their clear commitment to move towards a single currency and central bank in accordance with the timetable agreed at the first Rome summit in October.

He said the behaviour of several EC finance ministers at the first session of the intergovernmental conference (IGC) on Emu on Saturday "has confirmed my anxiety".

Mr Theo Waigel of Germany had "violently attacked" the draft Emu treaty tabled by the Commission, saying, according to Mr Delors, that it diminished rather than increased the chances of reaching accord on remaining "open" questions in the Emu negotiations.

But, said Mr Delors, the Commission draft was only an institutional framework to aid the Emu debate.

Mr Delors said Mr Wim Kok, Mr Carlos Solchaga and Mr Pierre Bérégovoy, the finance ministers of the Netherlands, Spain and France, also behaved as though "nothing had happened at the first Rome summit".

He gave few details, except to say that the Dutch minister had spoken of "budgetary convergence" as though no rules had been worked out on this score, while the Spanish minister had raised the questions of integrating the British "hard Ecu" plan into Emu and of demanding greater resource transfers to poorer regions.

For confirmation of his anxieties, Mr Delors said only: "Ask the German, the Spaniard, the Dutchman, the Frenchman what they think [of Emu] in the bottom of their hearts."

A former French finance minister himself, Mr Delors conceded that Emu posed particular worries for finance ministers.

It was not "easy to abandon one's own money for a common currency".

However, the leaders of their governments had pledged themselves only two months ago to the single currency goal, a timetable to establish the EuroFed central bank by January 1994, and the assessment of a final move to a single currency around 1997.

If government heads went back on this agreement, "it

Continued on Page 20
Labour outlines terms, Page 6; Editorial Comment, Page 18

Trevor Humphries

Jacques Delors: not sure UK is "biggest menace" to Emu

Gorbachev seeks referendums to decide on unity

By Quentin Peel in Moscow

MR Mikhail Gorbachev, the Soviet president, yesterday took a huge gamble in his battle to preserve the unity of the state, calling on the people to decide the issue in referendums in each of the 15 republics.

In a doom-laden speech to the Congress of People's Deputies, the country's supreme constitutional body, he urged a radical reinforcement of presidential power to "curb destructive actions by separatist and nationalist forces."

Then he called for every republic to hold a referendum on the proposed new Union Treaty, in an obvious attempt to appeal over the heads of increasingly nationalist republican parliaments.

His plan has an air of desperation to it, with four republics – Estonia, Georgia, Latvia and Lithuania – already determined not to negotiate, or sign, the new treaty. Armenia and Moldavia are wavering.

At yesterday's opening day of the all-union Congress, there were big gaps in the auditorium where the deputies of Lithuania and Armenia should have sat. Both delegations are boycotting the conference; the Estonians and Georgians are expected to walk out soon.

At the same time, Mr Gorbachev had to survive a direct attack on his personal position, with an attempt by conservative deputies to call a vote of no confidence in him.

More than 20 per cent of the deputies, or 426 out of 1,955, backed that move after a furious speech by a worker from the Red Hammer factory in Grozny. Mrs Sazhi Umalatova accused Mr Gorbachev of causing "the destruction of this great country which is now begging for food. "We have witnessed death and tears and blood," she said. "The leader of the country does not have the moral right to his post. There is no master of the country.

"It looks as if we have to wait for someone to be an aid donor to save our country for another year."

Her speech was heard in absolute silence by the deputies. When Mr Gorbachev came to speak he won a desultory ovation. But when he sat down there was barely two seconds' applause.

His proposal for a referendum, alongside the plan he had already announced for a referendum on the private ownership of land, was the only new idea in a speech which showed him inclined to slow the whole pace of economic reform.

He blamed himself and the government for mistakes in the reform process and for indecisiveness in dealing with ethnic unrest. His answer was an attempt to appeal to patriotism and united efforts, and promise more spending on law and order, health and education.

It was in stark contrast to a forceful speech by Mr Nursultan Nazarbayev, president of Kazakhstan in central Asia, who has been mooted for his new vice-president, or his prime minister.

He launched a scathing attack on central government policies and called for the reinstatement of the Shatalin-Yavlinsky radical economic reform programme, which suggested an "economic union" of the 15 republics and a crash transition to a market economy. He sat down to rousing applause.

Estonian defiance, Page 2

Bush and Nato warn Iraq that only total withdrawal will do

By Robert Mauthner in Brussels, Lionel Barber in Washington and Richard Tomkins in Baghdad

THE 16 Nato countries yesterday warned Iraq that nothing short of complete withdrawal from Kuwait and restoration of the Kuwaiti government by January 15 would satisfy the international community.

President George Bush, too, warned that Iraqi withdrawal from only part of Kuwait would not be acceptable. He told a gathering of foreign ambassadors at the White House there would be "no concession, no negotiation for one inch of territory."

The Nato foreign ministers, meeting in Brussels, declared: "There can be no partial solutions."

Their joint statement was published in response to a vigorous declaration by Mr James Baker, US secretary of state, predicting that Iraqi president Saddam Hussein would attempt to avoid a complete withdrawal from Kuwait as the United Nations Security Council deadline of January 15 drew nearer.

"Saddam Hussein is likely to undercut the collective will of the international community to use force," Mr Baker said.

"Just as I believe he chose to release hostages for this purpose, I think he may take a dramatic step on or around January 15. He could withdraw partially.

"We have all agreed that partial solutions or outcomes that are a condition or linked to other issues are unacceptable. We need to anticipate Saddam's possible moves."

In Washington, President Bush voiced hopes that a date could be agreed with Iraq for high-level talks on the Gulf crisis, but he remained opposed to Baghdad's proposal for talks on January 12 between Mr Baker and Mr Saddam.

The Iraqi proposal was too close to the UN deadline of January 15, said Mr Bush, who is holding out for a date no later than January 3.

Mr Baker said that if, after meeting any number of envoys from many countries at short notice, Mr Saddam was still not willing to meet him on any of the 15 dates which the US had proposed, "he is telling all of us that he's interested not in communication but manipulation. We are willing to communicate, but not play Saddam's games."

Iraq was yesterday maintaining its tough public stance over dates but a statement from the Revolutionary Command Council, the highest level of government under Mr Saddam, appeared to leave room for manoenvre.

The statement said Iraq rejected the "one-sided dictation of dates for talks with the US," but contained no reference to Baghdad's commitment to January 12 as the only possible date for Mr Baker's visit to the Iraqi capital.

This prompted speculation that Iraq might be prepared to consider a compromise if the US dropped its demand that the meeting should take place by January 3.

Mr Baker also made a strong appeal to his Nato partners to assume a bigger share of the burden of the joint military operation in the Gulf.

Nato meeting, Page 2; The Middle East, Page 4

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Gatt troubleshooter tries to rescue the Uruguay Round

Arthur Dunkel (left), director-general of the General Agreement on Tariffs and Trade, is to shuttle between world capitals in the role of troubleshooter. His task is to salvage the Urugua y Round

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MARKETS

STERLING
New York lunchtime:
$1.9285
London:
$1.927 (1.9395)
DM2.865 (2.88)
FFr9.8075 (9.79)
SFr2.4575 (2.47)
Y256.75 (257.75)
£ index 93.2 (93.5)

GOLD
New York: Comex Feb
$379.3 (378.6)
London:
$376.6 (373.75)

N SEA OIL (Argus)
Brent Feb
$26.125 (26.35)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.487
FFr5.0695
SFr1.275
Y133.28
London:
DM1.487 (1.4845)
FFr5.09 (5.0475)
SFr1.2755 (1.274)
Y133.25 (132.9)
$ index 60.9 (60.8)
Tokyo close: Y133.1

US lunchtime rates
Fed Funds $7\frac{5}{16}$%
3-mo Treasury Bills: yield: 7.02%
Long Bond: $108\frac{3}{32}$
yield: 8.18%

STOCK INDICES
FT-SE 100:
2,157.9 (−10.5)
FT Ordinary:
1,690.2 (−11.0)
FT-A All-Share:
1037.71 (−0.5%)
New York lunchtime:
DJ Ind. Av.
2,585.64 (−8.17)
S&P Comp
325.42 (−1.4)
Tokyo: Nikkei
24,087.91 (−261.59)

LONDON MONEY
3-month interbank:
closing $14\frac{1}{16}$% ($13\frac{15}{16}$)
Liffe long gilt future:
Mar $89\frac{3}{4}$ ($89\frac{23}{32}$)

US backs stronger European security and defence role

By **Robert Mauthner**, Diplomatic Correspondent, in Brussels

THE US yesterday gave its broad support to the creation of a stronger European security and defence identity, as long as this took place within the Atlantic alliance.

Washington's backing for plans to transform the nine-nation Western European Union (WEU) into a genuine European "pillar" of Nato was expressed by Mr James Baker, the US secretary of state, at the opening session of a two-day meeting of Nato foreign ministers here.

However, both he and other ministers, such as Mr Douglas Hurd, the British foreign secretary, underlined the importance of maintaining strong transatlantic links, not only in the defence field, but in other areas such as trade.

Mr Baker warned that failure to reach agreement in the stalled Gatt negotiations could undermine the whole transatlantic relationship.

Mr Manfred Wörner, Nato's secretary-general, stressed that no other organisation could replace Nato as its members' collective security instrument.

But he recognised that it would have to undergo fundamental changes "in both its political and military dimensions" as the result of the new climate of detente in Europe.

"The growing co-operation and unity of Europe in security and defence matters must lead to a strengthening of our European pillar, to an internal rebalancing of the alliance and also, where necessary, to structural changes," he said.

"Our goal must be a new transatlantic partnership of equals in which the Europeans share more responsibilities for Alliance security in Europe."

While most of the European members of Nato emphasised that there was no contradiction between strengthening the alliance's European component and pursuing political and security co-operation within the EC, doubts about the whole process were voiced by non-EC members of Nato.

Norway and Turkey both made strong pleas that the European pillar should not become an organisation from which they would be excluded.

It has become clear, too, that the new European pillar is regarded in a different light by countries like France, Germany and Italy, on the one hand, and Britain on the other.

All EC members see the WEU as the main defence bridge-building organisation between the Community and Nato. But the French, Germans and Italians look upon it essentially as a transitional stage on the road to a genuine European security and defence policy, while Britain regards it basically as a strengthened European defence arm of Nato.

With this in mind, Mr Hurd has proposed that WEU headquarters, presently divided between London and Paris, should be moved to Brussels and that the same ambassadors should be accredited to Nato and the WEU.

He recognised, however, that a procedure would have to be found to co-ordinate the European countries' efforts to forge a defence and security identity in Nato and the EC inter-governmental conference on political union.

● The US has raised objections with Moscow over what it believes is substantial Soviet under-reporting of the number of tanks, artillery and aircraft required to be destroyed under the recently signed Conventional Forces in Europe (CFE) treaty, Lionel Barber writes from Washington.

US officials said yesterday that the Soviet Union had declared at least 20,000 fewer weapons than western experts believed were covered by the accord. The Red Army also appears to have transferred some weapons after the treaty was signed, possibly to circumvent the pact.

Mr James Baker, US Secretary of State, expresed concern about the CFE problems during his meeting last week in Houston with Mr Eduard Shevarnadze, the Soviet foreign minister.

The opening session of the Nato foreign ministers meeting in Brussels yesterday

EC approves new system for collecting VAT

By **Lucy Kellaway** in Brussels

EUROPEAN COMMUNITY ministers yesterday gave their formal support to a new system of collecting Value Added Tax after 1992, ignoring complaints from businesses that the new system could be a shambles.

In a bumper year-end meeting, they also agreed a general framework for excise duties, in which a system of linked bonded warehouses will replace frontiers as a means of controlling goods.

Some progress was also made on one of the most stubborn tax matters: the phasing out of travellers' duty-free allowances. Although ministers failed to narrow their differences, they did agree to agree by the end of March. Denmark and Ireland, both of which have very high excise duties, fear the effects of such a scheme on government revenues, as does Belgium, which is nervous about Luxembourg, its low tax neighbour.

Under the VAT agreement, goods will continue to be taxed in the country of consumption once frontiers are abolished. To make the system work, and to avoid fraud, it will involve co-operation between tax authorities in member states, and new reporting requirements for companies.

After 1992, large companies will have to fill out quarterly forms listing exports broken down by customer. British companies initially objected strongly to such an idea, but UK officials acknowledged yesterday that the system was the least onerous that could be expected. They pointed out that would do away with some 60m customs' forms a year.

Businesses remain concerned that technical details have still not been sorted out. They are worried that there may be scope for double imposition of tax when goods are acquired in a country other than that of their final destination. "The Commission does not have the first idea how the system will work," said one business representative.

The new excise system defines the sorts of product which will be subject to duty, and describes in outline how a system of special warehouses could combat fraud. It leaves the exact working of the system to member states.

Albania moves against 'hooligans'

By **Laura Silber** in Belgrade and **Judy Dempsey** in London

THE Albanian authorities have moved quickly to avert further unrest and demonstrations by arresting and putting on trial 157 people. But the clampdown could hinder the country's attempts to take part in the all-European Conference on Security and Co-operation in Europe.

At the same time, the government held its first meeting with the Democratic Party, the country's only independent movement which was founded last week by prominent intellectuals and students. Free and multi-party elections are due to be held on February 10.

Those arrested are largely workers from the industrial cities of Durres, Shkoder and Elbasan. Last Friday, thousands of workers took to the streets, smashed windows, attempted to burn down the local Communist party and government buildings, and chanted slogans.

Yesterday an Albanian diplomat described the demonstrators as "hooligans". He added that "some of these people are just 10-year-old kids who are leading the rebellion."

The authorities are determined to claim that violence or anti-government demonstrations are the work of hooligans. They have also repeatedly called for calm, fearing that a Romanian-style revolution could prevail.

"These hooligans are people acting on behalf of regressive forces from both left and right", said Mr Napoleon Roshi, head of Tirana Radio's International Department. "There are dark forces everywhere," he added.

Despite the clampdown by the authorities, people appear determined to take advantage of being allowed to set up independent political parties and are pressing the government for change.

The Democratic Party, whose founding members have close contacts with the ruling (communist) Albanian Party of Labour (APL), held talks on Sunday night with Mr Adil Carcani, the prime minister. A member of the Democratic Party yesterday said the movement has called for a general amnesty.

The party is scheduled to meet Mr Enver Halili, the justice minister. The ministry was created last July. However, the authorities have not yet ceded to students' demands to sack Mr Hekuran Isai, the minister of the interior.

Last week, President Ramiz Alia, head of the APL, dismissed half the politburo, including Mr Foto Cami, who in recent months had adopted a more liberal approach towards the media.

In Shkoder, in the north-east, more than 6,000 people attended a Catholic mass on Sunday. The ban on religion was lifted in August. Albanian intellectuals yesterday said there were plans to set up a Christian Democratic Party.

The rubber-stamp parliament is due to meet on December 26. It is expected to legalise the creation of independent political parties.

● British Foreign Office officials will meet their Albanian counterparts in Geneva today. The first round of talks, aimed at restoring diplomatic relations were recently held in Rome.

Editorial comment, Page 14

Estonians snip away at the Soviet economic net

The Baltic republic is setting up its own pricing policies and banking system, writes **Leyla Boulton**

ESTONIA, one of three Soviet Baltic republics determined to regain statehood lost in 1940, has been the most energetic in using economic reform as a path to independence from Moscow. "There can be no political independence if we are economically dependent," says Mr Rein Miller, finance minister of the smallest republic in the union.

Despite Moscow's refusal so far to conduct proper independence negotiations, Estonia is doggedly pursuing efforts begun a year ago to cut free from the Soviet economy. It has gone further than any other republic in setting up its own pricing policies and banking system and in moving towards its own currency and foreign trade ties.

While Moscow condemns such moves, Estonia argues that the Soviet government is not capable of rapid economic reform to create the all-union market it talks about. "We need to get off this sinking ship," said an Estonian foreign ministry official.

The obstacles to doing so, however, are formidable.

A year ago, Dr Rein Otsason, president of the republic's new central bank, had even promised Estonians they would have their own currency, the kroon, by this Christmas. This has now been postponed indefinitely, following months of public wrangling between the bank and the Estonian government over when and how the currency should be introduced.

Dr Otsason believes Estonia needs its own currency to escape the monetary crisis of the Soviet Union, which this year printed at least twice as much money as planned. "We cannot talk about a market economy without our own currency," he said in an interview. "Without normal money, we can't have a normal economy."

When he set his year-end deadline, he said, he had not expected the Soviet economy to deteriorate so quickly. He had also expected Estonia to have all its own economic legislation in place by now. But much is still missing, including a key law on privatisation held up by a dispute about compensation for people who owned property before 1940.

Like Lithuania, Latvia and Georgia, Estonia has no plans to sign the Kremlin's proposed treaty for a union of sovereign states. "This union treaty is a continuation of centralised government," says Mr Endel Lipmaa, the minister responsible for negotiations with Moscow.

Estonia has been pursuing direct economic agreements with individual Soviet republics. But until it concludes a trade agreement with Russia, its main source of supplies including oil, it will continue to depend heavily on central Soviet authorities to keep its economy going.

The republic has made more progress in setting up its own banking system. The past year has seen the creation of a handful of commercial banks and attempts by the government to "Estonianise" banks owned by the Soviet state.

Mr Bo Kragh, the Swedish banker advising the Estonian government on monetary and economic affairs, says the central bank should quickly set up a banking supervision system.

"This is a Wild West situation here," says Mr Kragh, who is on loan from Svenska Handelsbanken until next spring.

Perhaps the most tangible result of Estonia's more independent economic policy has been its price reforms. On October 15, it almost tripled the price of meat and milk, eliminating government subsidies – and queues – for these basic commodities. The republic's newly independent Price Department is hoping for sweeping price liberalisation from next year.

While the government has so far compensated pensioners, students, and the low-paid for the price rises, industrial enterprises have more than compensated workers with big wage rises.

Moscow fears hyper-inflation, but Estonia sees it as inevitable. "We cannot have gradual price rises," said Mr Boris Weinberg, deputy head of the Price Department. This is why he calls Moscow's plan for "negotiated" wholesale prices for a range of supplies from January 1 the "Orient Express" – the point being that inflation will pick up so quickly people will not know what has hit them.

With the vast majority of Estonia's "external" trade confined to the Soviet Union (referred to as "the east" by many Estonians), the government is trying hard to branch out westward.

Dr Mehis Pilv, head of the new Department for Foreign Economic Relations, pulls out a copy of independent Estonia's 1930 trade agreement with Romania and talks with enthusiasm about the republic's performance as an exporter before it was annexed by the Soviet Union.

But although the government has set up crude checkpoints around part of the border with the rest of the Soviet Union (to stop outsiders depleting its relatively plentiful food and consumer goods) Estonia still has no control over Soviet export regulations and customs.

Nor does it have any control over so-called all-union enterprises, some of which dominate key industries or services, such as the Estonian Shipping Company. It is precisely these sorts of issues which it needs to negotiate with Moscow.

The Standard furniture factory is not an all-union enterprise and is in many respects an Estonian success story. It sells 15 per cent of its output to the west, where clients include Ikea, the Swedish household goods chain. But Standard's director, Mr Ronald Ilves, is convinced that there can be no independence without a negotiated settlement. For the moment he does not even know whether he will have to follow Soviet or Estonian legislation come January 1.

Many Estonians believe, however, that nothing can stop them from pursuing their lost independence unless Moscow opts for a military crackdown.

"I would hate to see Mr Gorbachev lose his foreign prestige, which is all the capital he has left," says Mr Lennart Meri, Estonia's foreign minister, who at 61 is confident he will see an end to Soviet rule in his lifetime.

Hungarian venture for European glass-maker

SAINT-GOBAIN, Europe's largest glassmaker, is to open a FFr50m (£5m) reinforced fibre plant in Hungary as a joint venture with Motim, the aluminium producer, writes William Dawkins in Paris.

The plant is expected to start production at the end of next year and is the fruit of 18 months' negotiations. It is targeted to make 1,200 tonnes of fibre annually, representing a FFr30m turnover at today's prices, within the next two years, said a spokesman for the French company.

While the joint venture with the Hungarian group will be equally owned, the plant will be managed by Kerlane, part of Saint-Gobain's industrial ceramics division, which represented 4 per cent of the group's FFr66bn turnover last year.

It will make ceramic fibres mixed with aluminium, silcon and zircon, for heat insulation in the steel, car and ceramics industries. Motim will supply the aluminium required and sales will be for the Hungarian market and export.

Greek minister offers to resign

Greece's justice minister, Mr Athanasios Kanellopoulos, offered to resign yesterday after a weekend in which the Athens police were thrown into confusion by a mass jail-break and a bazooka attack on the European Community's offices, writes Kerin Hope in Athens. Prime Minister Constantine Mitsotakis, however, refused to accept the resignation, saying Mr Kanellopoulos should not be held responsible.

Sixty-four of the 81 prisoners who escaped from Korydallos jail on Saturday were still at large yesterday. Prison officials blamed a staff shortage for the break-out.

Responsibility for the bazooka attack on Sunday evening was claimed by the November 17 left-wing terrorist group. The attack was linked with a new anti-terrorist law passed last week.

Schlüter to form two-party coalition

Mr Poul Schlüter, the Danish prime minister, said yesterday he would form a two-party minority coalition including his own Conservatives and the Liberal Party, Reuter reports from Copenhagen. The coalition will control only 61 of the 179 seats in parliament.

Romania may opt for coalition government

By **Judy Dempsey**, East Europe Correspondent

ROMANIA'S ruling National Salvation Front may form a government of national unity after holding talks yesterday with the opposition National Liberal Party (NLP).

The NSF, which was catapulted into power during last December's revolution and which won a landslide victory in last May's elections, has been unable to introduce any substantial economic or political changes.

Although it has support from the peasants, it has not secured backing from students or intellectuals, who have repeatedly accused the NSF of providing a safe house for former communists. The sense of disillusion has been behind the many demonstrations.

President Ion Iliescu told Bucharest radio that he had initiated talks between Mr Radu Campeanu, the head of the NLP and Mr Petre Roman, the prime minister.

"The talks concentrated on a dialogue and negotiations to be conducted over the next few days. The NLP pledged to contact other opposition parties to find possible solutions for co-participation in government by opposition parties," Mr Iliescu said. Mr Roman said there was a good chance the talks would yield concrete results.

The need for a coalition has become crucial for the government. Last week, it was forced to postpone freeing prices following demonstrations and the threat of a nationwide strike by the independent trade unions. It is now becoming clear that it cannot implement change without sharing the responsibility or tasks with the opposition parties.

It is understood that Mr Campeanu wants four cabinet posts. These include ministries of trade, agriculture, education and labour.

It is unclear if the National Peasants Party, which is led by Mr Ion Ratiu, or the Democratic Association of Hungarians in Romania (DAHR) will be involved in the talks.

The Peasants and Liberal parties failed to make an impact during the elections. But the DAHR won nearly 10 per cent of the vote, making it the largest opposition party.

European car sales down 2.6% last month

By **Kevin Done**, Motor Industry Correspondent

SALES OF new cars in western Europe fell by 2.6 per cent last month to an estimated 1.01m as demand dropped in 12 of 17 markets. Only Germany, the largest single market, continues to provide significant support for sales in west Europe, where overall demand is falling after five record years.

Registrations in west Germany rose by 27 per cent in November, according to industry estimates, in contrast to declines of 5.3 per cent in Italy, 7.7 per cent in France, 18 per cent in the UK and 23.2 per cent in Spain, the other leading volume markets.

In the 11 months to the end of November 12.49m new cars were sold, 1.1 per cent fewer than a year ago, with falls in six markets and increases in 11. The biggest rise was west Germany's 8.8 per cent.

The overall west European new car market has weakened significantly in the second half of the year. Sales have fallen in four of the past five months, compared with a year earlier, after rises in four of the first six months of the year.

Sweden, Finland, the UK and Spain have seen the biggest falls. In November alone new car registrations in Sweden were an estimated 41.4 per cent lower than a year ago.

Volkswagen has consolidated its leadership, capturing an estimated 15.3 per cent of the market in the first 11 months. It is set to lead the European car market for the sixth year in succession.

Fiat, its closest rival, has lost ground this year, most importantly in its home market. The group's sales have dropped by an estimated 5.8 per cent in the first 11 months, cutting market share to 14.2 per cent from 14.9 per cent a year ago.

In Italy its share of the market in the 11 months was 53.2 per cent against 58 per cent a year ago; in November the figure was only 50.1 per cent (57.7 per cent). The group has been particularly hard hit by the success of the Ford Fiesta, which has helped Ford boost its Italian sales by 62.2 per cent in the first 11 months, increasing its share to 7.7 per cent from 4.6 per cent a year ago.

While overall west European registrations are falling, Japanese car-makers' market share has risen to 11.7 per cent in the first 11 months from 11 per cent a year ago, boosted by a 5.1 per cent rise in sales volume to 1.46m.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-November 1990

	Volume (Units)	Volume Change(%)	Share (%) Jan-Nov 90	Share (%) Jan-Nov 89
TOTAL MARKET	12,490,000	−1.1	100.0	100.0
MANUFACTURERS:				
Volkswagen (incl. Audi & SEAT)	1,916,000	+2.3	15.3	14.8
Fiat (incl. Lancia, Alfa Romeo & Ferrari)	1,774,000	−5.8	14.2	14.9
Peugeot (incl. Citroen)	1,614,000	+0.7	12.9	12.7
General Motors (Opel/Vauxhall, US* & Saab)	1,488,000	+2.7	11.9	11.5
– Opel/Vauxhall	1,424,000	+3.3	11.4	10.9
– Saab**	53,514	−14.1	0.4	0.5
Ford (Europe, US* & Jaguar)	1,451,000	−3.0	11.6	11.8
– Ford Europe	1,429,000	−2.8	11.5	11.6
– Jaguar	18,000	−17.3	0.1	0.2
Renault	1,220,000	−6.1	9.8	10.3
Mercedes-Benz	408,000	+1.3	3.3	3.2
Rover	368,000	−6.0	3.0	3.1
Nissan	361,000	−5.0	2.9	3.0
BMW	340,000	−5.1	2.7	2.8
Toyota	336,000	+2.6	2.7	2.6
Mazda	262,000	+20.8	2.1	1.7
Volvo	221,000	−11.3	1.8	2.0
Mitsubishi	165,000	+5.3	1.3	1.2
Honda	149,000	+16.0	1.2	1.0
Total Japanese	1,455,000	+5.1	11.7	11.0
MARKETS:				
West Germany	2,851,000	+8.8	22.8	20.7
Italy	2,203,000	−0.8	17.6	17.5
France	2,148,000	+1.6	17.2	16.7
United Kingdom	1,946,000	−12.1	15.6	17.5
Spain	916,000	−11.5	7.3	8.2

*Cars imported from US and sold in western Europe **GM holds 50 per cent and management control of Saab Automobile
Source: Industry estimates

EC to ensure flight compensation

PASSENGERS "bumped off" flights through overbooking will be guaranteed compensation under rules agreed by European Community transport ministers yesterday, Reuter reports from Brussels.

A passenger with a confirmed reservation prevented from boarding an overbooked flight at an EC airport will automatically be entitled to $140 for a short-haul flight and $280 for a flight of more than 350km.

The payment, halved when the passenger can catch a replacement flight within two hours, will be in addition to any hotels, meals and telephone calls the stranded passenger needs.

Airlines admit they often overbook flights by up to 10 per cent. The high degree of flexibility granted to passengers paying the full or first-class fare makes overbooking almost inevitable. Many passengers do not bother to turn up for a flight knowing that they will not incur a penalty.

EC airlines already provide compensation under guidelines agreed within the Association of European Airlines (AEA), but the new rules mean that airlines from outside the Community will not be able to leave passengers stranded when flights take off from an EC airport.

The rules, which must still be formally approved, will not prevent airlines from paying their passengers more compensation if they want to, as some already do.

The regulation will apply to scheduled flights but some EC countries want it extended to charter flights.

Current practice on how to handle overbooking problems varies considerably between carriers. Some apply recommendations published by international organisations such as the International Civil Aviation Organisation or the European Civil Aviation Conference, whereas others apply their own internal guidelines or do nothing to protect the interests of passengers left behind.

The Commission's main concern has been to safeguard those using cheap, often inflexible tickets, who as a result of being stranded may miss a connecting flight and thus lose the chance to get to their final destination.

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WORLD TRADE NEWS

Turkish satellite contract to be decided today

By John Murray Brown in Ankara and Lucy Kellaway in Brussels

A $380m (£197m) satellite contract dispute is due to be settled today, when Turkish Post Telegraph and Telecommunications (PTT) opens the bids from Aérospatiale of France and British Aerospace.

While not ruling out another cancellation, as has happened twice already, PTT should today decide on who will supply Turkey's first commercial satellite – a 16-beam transponder.

The contract's commercial merits have often been lost in a diplomatic and political wrangle involving Turkish, French and UK officials. Last week, the US lodged its own last-minute protest, calling for a further re-tender to allow Hughes Aircraft, one of the original three competitors, to offer under PTT's revised contract.

Allegations that Mr Michel Carpentier, head of the EC's technology department, had lobbied in Turkey on behalf of the bid by Aérospatiale at the French Government's request, were strongly denied in Brussels. Mr Carpentier visited Turkey in August and visited the telecoms ministry, as reported in the US magazine Space News. But a Commission aide with him during the meeting said it had had nothing to do with the contract. The subject was mentioned by the Turkish side, but the aide said Mr Carpentier did not express any preference between the offers.

The issue is sensitive because EC officials, as independent servants of the Community, are not meant to act in response to the wishes of any single member state. Officials on both sides say the contract, the biggest turnkey satellite sale in the world this year, will be decisive for the profits of the two companies. A French Embassy official said: "It is not a technical problem. It will be a political choice. But at least a European company wins either way".

On the first tender, Aérospatiale's offer was reported to be $80m dearer than BAe's, depending on the exchange rate used. Hughes' was the most expensive.

The "Turksat" contract was re-tendered in early December, apparently allowing BAe to match Aérospatiale's technical offer. PTT called for more detailed specifications to allow the satellite to reach Eastern Europe and the Soviet republics – the official reason given for re-tender.

The BAe consortium, including Matra Espace of France and ANT Bosch Telecom of Germany, says its Eurostar has an unmatched technical record. Aérospatiale, linked with Messerschmitt Bolkow Blohm of Germany and Alcatel of France, has recently lost of two of its satellites. This is officially blamed on equipment supplied by French and UK manufacturers.

ABB in new reactor deal

ABB ATOM of Sweden, a subsidiary of Asea Brown Boveri (ABB), is forming a consortium with Ansaldo and Fiat Componenti e Impianti of Italy to develop the PIUS nuclear reactor, William Dullforce reports from Geneva. Zurich-based ABB is Europe's biggest electrical engineering group.

PIUS (process inherent ultimate safety), developed by ABB Atom, represents a new approach to nuclear power plant safety. The idea is that, if an accident occurs, the reactor would shut itself down and cool automatically within its pre-stressed concrete vessel.

In Italy, which has shut down the reactors that once provided 5 per cent of its power, the political situation has moved towards reconsidering the possibilities of nuclear plants. Consorzio Pius, the new consortium, will develop a design for a PIUS power plant, to meet Italian conditions and licensing requirements. The consortium will be owned 60 per cent by ABB, 25 per cent by Ansaldo, and 15 per cent by the Fiat subsidiary.

Japan to build Y2bn factory in south China

By Robert Thomson in Tokyo

RICOH, the Japanese office automation equipment maker, yesterday signed an agreement to build a general purpose factory in the Chinese special economic zone of Shenzhen, near Hong Kong, which will become an export base.

A new company, Ricoh Asia Industry Shenzhen, capitalised at Y2bn ($15m) will oversee the plant, where production of plain paper copiers is expected to begin next October with an initial output of 10,000 units per month.

Mr Hiroshi Tategami, president of the new company, said Shenzhen had been selected because of its "well-developed infrastructure" and a location close to the "south-east Asian countries now becoming a supply base for precision and electronic parts for office automation equipment worldwide".

Mr Tategami also becomes president of Ricoh Asia Industry HK, a new Hong Kong company capitalised at Y2.1bn, in which Ricoh has a 90 per cent stake and Crowning-United, a Hong Kong trading company, 10 per cent.

Ricoh also plans to use the Shenzhen factory for the production of facsimile machines and parts, as well as assembling units from components made in other south-east Asian production bases. The company said negotiations took less than a year, and it had a 30-year lease on the site.

In 1984, the Japanese company began exporting parts and transferring technology to the Guangzhou Copier Factory in southern China, and reached a similar agreement with the Guilin Electric Instrument Factory, also in the south, a year later.

● Japan's Overseas Uranium Development Co Ltd will begin mining for uranium in Saskatchewan Province, Canada from 1994 in a joint venture with three other partners, an OURD spokesman said, Reuter reports from Tokyo.

The venture, called The Midwest Project, will be 15 per cent owned by OURD and will mine for an annual volume of 245 tonnes of uranium concentrate.

Gatt breakdown hits public procurement pact

Hopes of completing the accord have been temporarily dashed, William Dullforce writes

AN IMPORTANT agreement on international public procurement has become a casualty of the breakdown of the Gatt trade ministers' meeting in Brussels on December 7.

Hopes of completing the accord, whose impact on business could be as great as the much-vaunted liberalising of the $680bn (£350bn) world trade in services have been at least temporarily dashed.

The Brussels talks on public procurement were overshadowed by the conflict over agriculture and took a markedly different course.

In agriculture, the European Community's refusal to undertake the fundamental farm reform demanded by the US and other farm-exporting nations torpedoed the whole Brussels meeting.

In public procurement, it is the EC that has led the charge to open to international competition jealously-guarded national markets in telecommunications, power generating plants and railway equipment. In Brussels at least, it was the US that refused to talk.

The objective has been to open up to foreign suppliers purchases by governments, utilities and publicly-regulated monopoly industries which at present discriminate in favour of domestic enterprises. This type of national protection is common worldwide and is often linked to local "pork-barrel" politics. Liberalisation now depends on a resumption of the Uruguay Round.

Worldwide spending by governments and publicly-controlled agencies is roughly estimated at $1,700bn a year. The value of the contracts that might be opened to competition is much lower but EC negotiators have calculated that by broadening Gatt's current agreement on government procurement merely to cover state, regional and local government entities, an annual market of some Ecu520bn (£195bn) could be opened up.

If the Gatt code were further stretched to cover publicly controlled utilities, this figure could be more than doubled. Spending by utilities within the EC alone is put as high as Ecu270bn.

Improvements to the code are being negotiated under the umbrella of the Uruguay Round, although the talks are not formally part of the Round.

The Gatt code establishes an international framework for rules and procedures concerning government procurement, but its scope is limited to central government buying, and it covers only goods and contracts worth more than SDR130,000 (£47,000). It has as signatories nine EC member states, the US, Japan, Canada, Austria, Finland, Hong Kong, Israel, Japan, Norway, Singapore, Sweden and Switzerland, and it is this group that has been negotiating the improvements.

The EC, pursuing the momentum of its internal directive which will break down national barriers to suppliers within the Community from January 1, 1993, has proposed a far-reaching expansion of the coverage of the Gatt code. Talks have focused on expanding in three directions. First, the code would be broadened to cover more purchasing bodies, by including the utilities and moving down to local government level. Second, it would be extended to works and services, as well as to goods. Third, it would be improved by adding a mechanism for challenging bid procedures and tightening award procedures.

Before the Brussels meeting, trade officials said they could envisage a deal that would bring in regional and local purchasing bodies and extend coverage to works and services, although some difficulties had still to be ironed out. The US, for instance, was insisting that it could only persuade state bodies to subscribe on a voluntary basis to the code.

But, officials argued, in order to achieve a fully balanced agreement, it was still important to bring under the code the utilities which are controlled or influenced by governments. A primary US objective is to force open for their companies the door to the EC telecommunications equipment and power utilities markets. The EC wants access for its concerns to US urban transport contracts where they currently face a 25 per cent price preference in favour of US products.

During the Brussels meeting, EC negotiators had hoped to secure a basis for a deal on telecommunications, utilities and urban transport that could be worked out in detail later. One EC official said: "The Americans initially showed interest in our suggestions for compromise but then went cold."

Compromise will in any case be difficult. In telecommunications, for instance, the US argues that its companies are private and already open to foreign equipment suppliers while US concerns are excluded from supplying public EC monopolies.

Brussels claims that the "consent decree" under which AT&T, the biggest US company, operates in practice closes 30 per cent of the US market to European suppliers. In addition, the EC says, AT&T and Northern Telecom provide 90 per cent of the equipment of the regional Bell operating companies and under the terms of the consent decree, these regional monopolies have no scope for joint developments with new vendors.

The EC is willing to have its telecommunications and power utilities covered by the Gatt code, provided its obtains "equivalent access" to the US market. EC negotiators said they did not despair of finding a compromise but the talks are now in limbo.

MPs debate ECGD next month

By Peter Montagnon, World Trade Editor

LEGISLATION to privatise the short-term insurance business of the UK Export Credits Guarantee Department (ECGD) is due to be laid before Parliament this week. A second reading and full debate is scheduled for January 15.

The timing means that the new government of Mr John Major is sticking by the plans of its predecessor to convert the short-term insurance division of ECGD into a public company by April and sell it shortly thereafter.

It comes as the pressures of recession have left businessmen increasingly worried about the loss of government support for exports arising from the privatisation. Under the scheme, the newly-privatised ECGD will be able to reinsure political risk with the government for a period of three years. Thereafter, it will be expected to cover this risk in the market.

It comes as the pressures of recession have left exporters worried about loss of government support

Exporters say this will make sales to countries outside the industrial world hard to insure, as there is doubt about the private insurance market's capacity to absorb such risk. Similarly, they say the privatised ECGD may no longer be able to insure orders which are in the pipeline for periods of up to four years, as at present. This would put British exporters at a disadvantage compared with their continental counterparts who continue to receive government support for sales to difficult markets.

Some exporters believe that the date for the second reading of the legislation has been deliberately set to coincide with the Western deadline for Iraq to move out of Kuwait, in order to stifle publicity and public debate of the issues involved in the privatisation.

Samuel Montagu, the merchant bankers advising the government on the privatisation, has been drawing up a short-list of bidders. Exporters say names include Trade Indemnity, which dominates the market for domestic credit insurance, and Sun Alliance. Also thought to be interested is NCM, the Dutch credit insurance concern, but rumours of interest from British clearing banks are now considered to have been exaggerated.

Brussels offers to extend US corn compensation

By David Gardner in Brussels

THE European Commission yesterday offered to extend for a year access for US maize and sorgum imports into Spain and Portugal.

The offer was seen as an attempt to improve the transatlantic negotiating atmosphere which is still crackling after the breakdown of the Uruguay Round trade talks earlier this month over the issue of farm subsidies.

The offer, which EC farm ministers will probably endorse today, is conditional on the US withdrawing threats to impose punitive levies on $420m of EC exports to the US.

It extends a four-year transitional agreement reached when Spain and Portugal joined the EC, covering 2m tonnes of maize and 300,000 tonnes of sorghum a year. Commission officials said ministers may, however, seek to reduce the volume of imports allowed under the extended pact.

"We want to keep a normal trade relationship going and not slip into trade wars that would exacerbate [existing] problems," a Commission official said.

Commission officials also said that the review of the EC's Common Agricultural Policy – including a switch in emphasis from subsidising production to direct income support for small farmers – was now likely to be unveiled in the first two weeks of January.

They sought, however, to dampen speculation that this could produce the sort of concessions to European farmers demanded by the US to restart serious negotiations.

● THE MIDDLE EAST

Crisis speeds up drive for chemical weapons curbs

By Victor Mallet, Middle East Correspondent

INDUSTRIALISED nations – spurred by the Gulf crisis, the end of the Cold War and other arms agreements – are likely to make a big push in 1991 towards a global convention to control chemical weapons, senior British officials said yesterday.

"The problem is definitely accelerating, and it is accelerating most obviously in the most dangerous area – the Middle East," said one official. "Compared with 10 years ago, the position is a lot worse."

He was speaking after a seminar in London on Friday which discussed export controls against chemical weapons. Hosted by the Foreign Office, the meeting included delegations from the Soviet Union and eastern Europe as well as the Australia Group of western countries, which seeks to harmonise chemical export restrictions.

Britain is obviously pleased by the results of the seminar, which come after the use of chemical weapons during the 1980-1988 Iran-Iraq war and at a time when Baghdad has openly threatened to let loose such weapons again. Western officials fear that the taboo against the use of chemical weapons which has held sway since the First World War has now lost much of its force.

Only three countries – the US, the Soviet Union and Iraq – admit to having chemical weapons, but about 20 others possess or are believed to be trying to acquire an offensive chemical capability. They include Libya, Syria and Israel.

There is open acknowledgement in London of the difficulties of trying to enforce chemical export controls, when so much equipment and so many ingredients have "dual use".

Delegates at the seminar, however, agreed on the need for co-operation between the Australia group and other countries and said they would produce a collated list of chemicals controlled by each government.

As with the Missile Technology Control Regime, the members of the Australia Group accept that they cannot completely stop a determined country from obtaining sensitive technology, but they can buy time.

■ Iraq would scrap chemical and mass destruction weapons if Israel was also prepared to do so, Mr Abdul Razzaq al-Hashimi, the Iraqi ambassador to France, said yesterday, Reuter reports from Paris.

British families urged to leave

By Mark Nicholson in Riyadh

THE BRITISH government yesterday advised its citizens working in the Saudi Arabian cities of Riyadh and Tabuk to send their families home before January 15, the UN deadline for Iraq to leave Kuwait.

British diplomats in Riyadh said they had issued the advice because of the "remote possibility" that Iraqi missiles might be launched at the two cities in the event of conflict.

Both Riyadh, in central Saudi Arabia, and Tabuk, in the north-west, are just over 500km from the Iraqi border. Iraq's mobile al-Hussein missile has a range of some 600km and may be capable of carrying a chemical warhead.

The British deployment of a squadron of Tornado GR1 fighter aircraft at Tabuk makes the city a likely target in the case of a war.

Pakistan yesterday began deploying another 3,000 troops to defend the holy cities of Mecca and Medina in Saudi Arabia, Farhan Bokhari reports from Islamabad. The first batch of 320 troops left last night. The deployment will bring to 5,000 the total number of Pakistani troops in Saudi Arabia. Earlier, officials said that Pakistan was negotiating further troop commitments.

The latest advice to send families home also applies to Saudi Arabia's Eastern Province, and to Bahrain and Qatar. Last month, Britain advised its citizens in those places not to bring out their children for Christmas.

Britain has more than 6,000 of its citizens in Riyadh, more than 7,000 in the Eastern Province, some 280 in Tabuk, and more than 7,500 in Bahrain and Qatar, and it is anxious to thin out the numbers in case evacuation is necessary.

British Aerospace, the biggest single employer of Britons in Riyadh, said yesterday it had already told its employees in the capital and Tabuk to send their families home by January 10. Cable & Wireless, which employs 100 Britons in the Saudi capital, said yesterday it would follow the government guidelines.

Ivo Dawnay adds: More than 100 Britons have opted to stay on in Kuwait and Iraq ignoring government advice to return home. Downing Street revealed yesterday that up to 70 British citizens in Iraq and 34 in Kuwait have decided to stay put.

Britain's envoy in Kuwait says he wanted to stay

By Richard Tomkins in Baghdad

MR MICHAEL Weston, the British ambassador to Kuwait, who this week became the last diplomat to leave the Iraqi-occupied city, said yesterday he and his staff of six could have held out another two to three months, if London had given them the choice.

Mr Weston appeared in Baghdad on his way back to the UK, after leaving the embassy in Kuwait with its flag flying on Sunday morning.

"We wanted to stay until the legitimate government was restored and we were very sorry that we weren't able to do so," he said.

"But there was very little work to be done any more. We were really just a symbol, and now it's thought better that we should go. We hope to be back very soon." Mr Weston was speaking on the steps of the British embassy in Baghdad shortly before leaving for the airport.

Britain's decision to withdraw the embassy staff was taken after Iraq's release of hostages who wanted to leave.

Describing conditions in Kuwait, Mr Weston said: "There was no one around and the place was a complete mess." The city's remaining inhabitants were "very sad but very determined," he said.

Talks start on Soviet experts

IRAQ is refusing to let 2,300 Soviet experts leave the country until a row with Moscow over contracts is resolved, a Soviet embassy spokesman in Baghdad said yesterday, Reuter reports from Baghdad.

A Soviet delegation began talks to negotiate the departure of the advisers, most of whom work in the oil industry which has been virtually paralysed by United Nations sanctions.

Baghdad is demanding that Moscow accept responsibility for any breach of contract and diplomats predicted the discussions would be difficult. The embassy said there would be negotiations over economic penalties threatened for breach of contract.

Israeli border police frisk three Palestinian youths yesterday in Jerusalem's Old City as two Arab women pass by

Israelis clamp down after Gaza expulsions

By Hugh Carnegy in Jerusalem

ISRAELI police yesterday prevented thousands of Palestinians from entering Jerusalem and barred Arab youths from the historic mosques on the city's Temple Mount.

The heightened security was aimed at heading off clashes with Jewish extremists and to prevent protests over Israel's decision to deport four Moslem leaders from the occupied Gaza Strip.

The government decided on Saturday to deport the four members of Hamas (Zeal) after their movement admitted the killing of three Israelis a day earlier, the latest in a spate of attacks on Jews in revenge for the police shooting of 19 Arabs in a riot in Jerusalem on October 8. Expulsions from the occupied territories had been suspended since August 1989 after criticism from the United States.

The four Palestinians were scheduled to appeal against their expulsion orders yesterday. If rejected the Palestinians can appeal to the Supreme Court, which traditionally backs the military.

Mr Yitzhak Rabin, the former Israeli defence minister, who had suspended deportations in response to US pressure, said yesterday that expelling Palestinians would not curb their three-year-old uprising. Mr Rabin, who signed the deportation orders of all but four of the 58 Arabs so far expelled during the revolt, said: "I came to the conclusion that on the scale which is required to produce results it is not possible to implement (expulsions) effectively." Mr Rabin's right-wing successor at the Defence Ministry, Mr Moshe Arens, facing growing public pressure to curb the revolt, said he would expel more Palestinians if necessary.

Recent events have led to renewed calls from opposition figures and moderate Palestinians for some political way out to be found. In one of the most striking reactions, Mr Shlomo Lahat, the mayor of Tel Aviv for Mr Shamir's hardline Likud party, at the weekend turned party policy on its head by calling for the sealing off of the West Bank and Gaza and negotiations for the establishment of a Palestinian state.

He was immediately slapped down by Likud. Apart from any other consideration, the government sees no room for political movement. But Mr Lahat's surprise outburst adds weight to those who complain that the government has no real political solution to offer even when the time is ripe.

Peace volunteers head for the 'frontline'

By Richard Tomkins

IT IS easy to spot the Gulf peace team's chalet on the International Peace and Friendship campus on the outskirts of Baghdad. It is the one with a banner proclaiming, "blood is worth more than oil", draped over the front wall.

Inside is the seven-person advance guard of a group of international "peace volunteers", whom some consider heroic and others, barking mad.

The volunteers' aim is to reduce the likelihood of war in the Gulf by planting themselves in the front line of the potential conflict zone and threatening to die in the crossfire if hostilities break out.

At least 50 of them, drawn from the ranks of peace campaigners throughout the world, are expected to be in place on the Iraqi side of the Saudi Arabian border by Christmas, and about 50 more are due to join soon afterwards.

Among the predominantly British members of the Baghdad-based advance party is Ms Pat Arrowsmith, 60, a doughty pacifist and vice-president of the Campaign for Nuclear Disarmament.

The peace team is modest in its aims, Ms Arrowsmith says. It does not expect to stop the war single-handed. "We hope to be a discouraging element, a new ingredient in the mounting world-wide opposition to the threat of war."

And if the bullets start flying? "In principle, as long as the soldiers remain, then I don't see why pacifists shouldn't as well."

It sounds hazardous. But the greater danger facing the group is that it looks likely to become little more than a weapon in the propaganda war between Iraq and the allied forces.

The peace team, an ad hoc group of individuals funded by voluntary contributions, has tried hard to avoid accusations of bias by asking Saudi Arabia to allow a peace camp on its side of the border with Iraq.

Saudi Arabia has not responded to the request. Iraq, however – adept at turning such gestures to its advantage – has given every facility to the peace team and thrust it under the media spotlight.

This is not surprising, since any success for the volunteers in preventing armed aggression would imply a preservation of the status quo.

In reality, the peace camp will become inconsequential if hostilities do break out. The site alloted by the Iraqis, it transpires, is near the border crossing of the road linking Baghdad with Medina.

That is well over 500km across open desert from Kuwait – far enough to keep the volunteers out of harm's way once their value as a propaganda tool is exhausted.

Japanese spend over 14% more on R&D

By Stefan Wagstyl in Tokyo

JAPANESE companies increased spending on research and development last year by 14.1 per cent to Y8,234bn (£32bn), according to a government report.

The bulk of the money – Y6,848bn – was invested in innovating new products and materials, said the Management and Co-ordination Agency in a study of R&D spending for the year to the end of March 1990.

The figures reflect intensifying competition among Japanese companies, which is accelerating a race to bring new products to market, as well as a growth in the financial resources of corporations which has enabled them to fund ever more ambitious R&D programmes.

Business accounted for 70 per cent of the nation's total R&D investment which was Y11,815bn, an increase of 11.2 per cent over the previous year. Spending on R&D amounted to 2.91 per cent of GNP, the highest-ever ratio. The figure compares with about 2.5 per cent for the US.

The study found that companies are investing about 25 per cent of their R&D budget in communications, electronics, and electronic measuring instruments. As well as companies already active in these industries, an increasing number of groups in other fields are trying to enter electronics-related fields. For example, precision machinery makers spent only 41.9 per cent of their R&D budget in their own fields – down from 71 per cent 10 years ago.

The report also found that despite Japan's public commitments to increasing spending on basic science, increases in publicly-funded projects lagged behind those in the private sector. At universities spending on R&D rose just 5.7 per cent to Y2,129bn and at national laboratories by 4.2 per cent to Y1,452bn.

Japan to reduce defence costs

JAPAN is planning to put the brakes on defence spending growth, Reuter reports from Tokyo.

It will limit increases in defence outlays for the next five years to some 3.1 per cent annually for a total of about Y22.8 trillion (£90bn), defence agency sources said.

Over the past 10 years, Japan has given preferential treatment to defence, boosting spending to a growth level of around 6 per cent annually. During the same period, the government held down growth in spending in areas such as public works, education and social welfare.

UK move on reserve call-up

By David White, Defence Correspondent

BRITAIN yesterday invoked call-up measures in a bid to attract more volunteers from the regular reserves and the Territorial Army to help support forces in the Gulf.

The provision, section 10 of the Reserve Forces Act, has not been used since the Korean War. Up to 1,500 extra personnel, mostly in the medical field, are being sought for service either in the Gulf or in Germany or the UK to replace regular forces personnel sent to Saudi Arabia. However, Mr Tom King, defence secretary, said the government hoped to avoid resorting to compulsory call-up of reservists.

An appeal for volunteers earlier this month failed to attract sufficient numbers because of worries about job security and loss of pay. They will now be guaranteed their jobs and an increment of up to 20 per cent, or more in certain circumstances, to make up for pay differences.

Pakistan to raise concern

By Farhan Bokhari in Islamabad

INDIAN AND Pakistani foreign ministers meet in Islamabad today to try to bridge their differences but the only form of progress expected is a continuation of a dialogue to reduce tensions, diplomats and officials say.

Pakistani officials say they are extremely concerned about Indian military action in Kashmir and the forward deployment of troops close to the Pakistani border.

The continuing violence against Moslems in India in recent weeks has also drawn strong criticism from many sections of Pakistani society.

An Asian diplomat said that the severity of human rights violations in Indian-controlled Kashmir has drawn enormous public sympathy in Pakistan, and it would be very difficult for Islamabad not to actively take up the issue.

Mr Muchkund Dubey, the Indian foreign minister, is expected to raise concerns that Pakistan is helping insurgents in Indian Punjab and Kashmir, a charge repeatedly denied by Pakistan.

According to one diplomat, discussions with Mr Sheharyar Khan, Mr Dubey's opposite number, could also include an initiative to seek a regional approach on nuclear safety.

The issue of nuclear proliferation is important for Pakistan as US aid has been suspended because of objections to Pakistan's nuclear programme.

Islamabad has refused to open its nuclear facilities for international inspection unless other countries in South Asia do so, notably India.

Officials hope to resolve disputes over construction of a river barrage on the Indian side of Kashmir and demarcation of a section of the border.

Hindu-Moslem violence closes Taj Mahal

India is seeing the worst clashes since partition, write David Housego and K.K.Sharma

THE Indian city of Agra, site of the Taj Mahal, has been placed under indefinite curfew after at least 11 people were killed there in the Hindu-Moslem violence gripping the country.

Nearly 250 people have died across the nation since December 7 in violence sparked by a dispute between the two faiths over a shrine in Ayodhya, in the northern state of Uttar Pradesh. Senior officials describe the violence as some of the worst since India gained independence 43 years ago.

In Agra, about 180km south-east of New Delhi, and also in Uttar Pradesh, soldiers and paramilitary policemen patrolled the streets yesterday and stood guard around the Taj Mahal, closed since the fighting broke out last Friday.

Security forces apparently fear that Hindu extremists might make a target of the Taj Mahal, built in the 17th century by the Moslem ruler, Shah Jehan, in memory of his wife and one of the few popular destinations left for tourists visiting India.

About 50km further north in another Uttar Pradesh town, Aligarh, residents were clearing up yesterday after Hindus had run riot in the Moslem quarter.

Broken bits of furniture, an emptied jewel box, and scattered clothes tell the tale of the orgy of hatred between Hindus and Moslems that has engulfed large stretches of the country. Aligarh residents point to a pile of burnt rags where an 80-year-old man – too frail to flee – was stabbed to death and his body then set alight.

Other brutal clashes have occured around Hyderabad in the south and Ahmedabad in the west – all areas of substantial Moslem population.

In Aligarh itself, the official death toll is 54. But Mr Naseem Farooqi, the vice-chancellor of Aligarh Moslem University, believes it could be as high as 150. He includes in that figure the gruesome slaughter of Moslems who were dragged off a train from Lucknow to Delhi in an incident reminiscent of the horrors of partition.

Moslems grouped together in the Uttar Pradesh town of Aligarh for fear of attack by Hindus

Aligarh – with a long record of communal tension – has been under curfew for 10 days. One effect of this is that bitterness festers within each community and the most poisonous rumours gain credibility.

A rumour that shook the Hindu areas last week (and for which there is no evidence) was that 74 Hindus – 24 patients and 54 members of their families – had been slaughtered in the largely Moslem hospital on the campus of the university.

In communal clashes, it is almost impossible to get to the truth of how an incident started. In the Kazipara quarter of Aligarh, Hindus charged through streets and across the roofs on the morning of December 8. Bullet marks and traces of explosions confirm that the two communities are arming themselves with locally-made bombs, grenades and rifles.

The Hindus, who live cheek-by-jowl with the Moslems in Kazipara, express shock at the destruction inflicted on neighbouring Moslem houses.

One says: "There has been no trouble before in this part of the town. We have always lived as neighbours."

They bring forward Rajindra Kumar, 18, with recent acid burn marks on his face and throat. They say that the attack on the Moslem area occured after Moslem hooligans poured acid on him on Saturday morning as he was using a public lavatory.

The most worrying long-term feature for communal relations in Aligarh is that the local police are perceived by Moslems to be siding with the Hindu population and to be responsible for some of the killings themselves.

Painted on street walls in Moslem areas are signs saying, "Welcome the army" – which is still seen as a neutral force between the two communities.

When we arrived in Aligarh after dark, we were surrounded by local police who said they were on hunger strike – though some seemed to have been drinking heavily. They were demanding the transfer of the newly-appointed superintendent of police who was a member of the *harijan* (untouchable) caste – and thus judged sympathetic to Moslems. They also wanted the right to enter the Aligarh Moslem university which they claimed was harbouring "criminals".

Mr Farooqi, the vice-chancellor, describes how the driver of a university hospital ambulance and a young doctor were dragged from the ambulance and beaten up by the local police force when carrying medicines to an area where there had been fighting. A rumour had spread that ambulances were being used to carry arms.

Mufti Abdul Qayuum, the leading Moslem cleric in Aligarh, says in a voice cracked with emotion at his powerlessness to stop the violence and at what he believes is the increasing one-sidedness of the local authorities: "All my life I have been telling Moslems that they should be peaceful and they have obeyed me." But now, he adds, "I have been rendered helpless and impotent. They have not let me do anything. I have never felt so isolated."

Tension began to build up in Aligarh – as in other towns with a substantial Moslem population – on October 30 when Hindu extremists planted a saffron flag on the disputed mosque at Ayodhya and damaged its fabric.

Militant Hindu organisations want to build a temple at Ayodhya – which they believe is the birthplace of Ram, a Hindu deity – on the site of the mosque.

Hindu emotion has been further fanned by the widespread distribution of officially banned audio and video tapes which portray those killed or wounded in the campaign to build the temple as "martyrs" in a renewed struggle against Islam.

A further worrying trend in the north and in Hyderabad in the south is that Hindu-Moslem violence has begun to spread to the villages.

The headman at Ryot, a large Moslem village near Aligarh that we visited, said that all was still peaceful in his area. But a villager told us on leaving that Moslem villagers had stocked up with weapons and explosives.

Mr Khwaja Haleem, chairman of the Minorities (Moslem) Commission in Uttar Pradesh, whose house in Aligarh was ransacked during the rioting, said that there would be no end to the violence until the Ayodhya dispute was settled or elections held.

The Hindu BJP party is seen as wanting to sustain Hindu emotions as a way of increasing votes and staking its claim for power.

AMERICAN NEWS

Bush appoints reformer as education chief

By Lionel Barber in Washington

MR Lamar Alexander, a former governor of Tennessee with a strong record of education reform, is President George Bush's choice to be the next education secretary.

The middle-of-the-road Republican will succeed Mr Lauro Cavazos, who was forced to resign last week after a lack-lustre performance which damaged Mr Bush's claim to be "the education president".

Mr Alexander, a popular governor of Tennessee between 1978 and 1986, revitalised the state education system and attracted large inward investment, notably General Motors and Nissan car plants. His main achievement was to push through increases in teacher salaries in return for the adoption of merit-based pay awards in schools.

The appointment, expected to be approved by congress, goes some way to restoring Mr Bush's credibility on education after the meandering approach of Mr Cavazos.

Mr Robert Atwell, president of the American Council on Education, a Washington-based lobby group representing 1,800 higher education institutions, said: "It's the most positive signal we could have had."

The White House is clearly anxious to stop the growing drift on domestic policy, apparent for several months.

Mr Bush reminded everyone yesterday that he had just chosen Mrs Lynn Martin, the former Illinois congresswoman, as labour secretary to succeed Mrs Elizabeth Dole. But he still has to find a replacement for Mr William Bennett, who announced last week that he would not accept the offer of Republican party chairman.

One of Mr Alexander's first tasks will be to review a controversial department ruling which seeks to ban race-based minority scholarships. The edict has set off a storm of criticism, with black groups, liberals and some of Mr Bush's cabinet arguing that it will seriously harm minority efforts to receive a college education.

The White House yesterday began to distance itself from the author of the ruling – Mr Michael Williams, head of the Office of Civil Rights at the Education Department who happens to be black.

Asked about the row, Mr Alexander, currently president of the University of Tennessee, said scholarships for minority students had proved useful in his state for helping poor students receive an education.

Conservatives argue that race-based scholarships undermine the principle of equality of opportunity. In their view, a ban could also prove a vote-winner among whites angered by minority programmes and job quota arrangements which grew out of the 1960s civil rights era but which are now under challenge in the courts.

Mr Williams has gone to ground after his ruling became public last week.

Although Mr Bush went out of his way to praise Mr Williams' talents on Friday, the White House press secretary said yesterday that the president was "disturbed" about the ban.

Clash after Haiti priest's poll victory

POLICE opened fire yesterday at a crowd of Haitians celebrating the electoral victory of Father Jean-Bertrand Aristide, a left-wing priest, and eyewitnesses said one woman was killed, Reuter reports from Port-au-Prince.

The election had gone off surprisingly peacefully and was praised by international observers, with no violence reported during Sunday's polling.

Though votes were still being counted, Fr Aristide, looked set to become Haiti's first freely elected president.

The shooting incident took place in front of Fr Aristide's church after a vehicle carrying men in the blue uniform of the national police drove up to disperse his supporters. Several other people were believed to have been wounded.

Mr Bernard Aaronson, the US under-secretary of state for Inter-American affairs, called on Fr Aristide to congratulate him on a victory that had been widely expected.

"We congratulated him on his victory and told him the United States would support the democratic process in Haiti," Mr Aaronson said.

Mr Marc Bazin, Fr Aristide's main rival, demanded a recount in Haiti's most populous region, saying the results there should be declared void.

Brian Mulroney: willing to transfer more powers to provinces

Mulroney hits at internal trade curbs

By Bernard Simon in Toronto

MR Brian Mulroney, Canada's prime minister, has warned that any deal to redistribute power between the federal government and the country's 10 provinces must include removal of inter-provincial trade barriers.

In the clearest outline of his government's constitutional policies since the collapse last June of the Meech Lake accord, Mr Mulroney indicated on Sunday that Ottawa was willing to transfer more powers to provinces in the face of separatist pressure from Quebec and regional loyalties in western Canada.

But in a strong call for national unity, he warned that a fundamental principle of the reform process should be a willingness "to tear down the barriers that currently impede the movement of people, goods and services across the provinces".

Although no customs duties are levied on inter-provincial trade, non-tariff barriers are in many cases as protectionist as those applying to imports from foreign countries.

They include provincial government preferences for local suppliers, restrictive product standards, requirements that certain goods – notably beer – can be sold in a province only if they are produced there, and professional qualifications which make it difficult for lawyers and other groups to move from one province to another.

Pressure for more liberalised rules is growing on several fronts. The provinces are moving towards an agreement on government procurement, and calls are being made for a regional market among the four Atlantic provinces.

Mr Mulroney, who was speaking in his native Quebec, warned of the dangers of the francophone province breaking away from the rest of Canada at a time when countries in other parts of the world, notably in Europe, were moving rapidly towards closer economic and political union.

The prime minister's initiative was timed to deflect attention from opposition leader Mr Jean Chrétien, who was due to give evidence yesterday to the Belanger-Campeau commission, the non-partisan group examining Quebec's constitutional options.

Most witnesses before the commission have so far called for greater devolution of power from Ottawa to Quebec and, in many cases, for some form of sovereignty.

Mr Chrétien is a strong federalist and was expected to warn of the high economic cost of separation.

But, like Mr Mulroney, he was expected to try to spike the separatists' guns by outlining a more flexible approach which would see Quebec remain in Canada, although with wider powers.

Peru raises petrol price 60% ahead of IMF talks

PERU has lifted petrol prices by more than 60 per cent and increased public service tariffs substantially on the eve of talks aimed at finalising an outline deal with the International Monetary Fund, Sally Bowen writes from Lima.

Mr Juan Carlos Hurtado Miller, premier and minister of the economy, left for Washington on Sunday night to finalise the "reference programme" with the IMF, which will mark Peru's return to the international financial fold. The measures were widely interpreted as bowing to IMF pressure.

Mr Jorge Chavez, central bank governor, said the programme, which will set tight three-monthly economic and fiscal goals, could open the door to fresh loans.

The agreement, to be endorsed by the World Bank and the Inter-American Development Bank, will lay the foundation for external debt negotiations with Peru's Paris Club creditors in February, according to Mr Hurtado Miller. He confirmed, however, that Peru would not make any commercial debt payments before 1992.

In a televised address before his departure, Mr Hurtado Miller recognised the "generous sacrifice" of Peruvians in accepting August's economic austerity measures.

Hyperinflation was "80 per cent" beaten, with November's 5.9 per cent figure the lowest for 41 months, the premier said. The new measures and Christmas spending would lift inflation in December and January, although he saw monthly inflation of about 1 per cent by the end of 1991.

Mr Hurtado Miller said there were encouraging signs of economic recovery – manufacturing production had regained mid-year levels and Christmas sales would be only 10 per cent down on last year's figure.

State companies would face privatisation and heavy loss-makers could be liquidated or sold.

Many of Peru's 1m bureaucrats would be redeployed into productive, private-sector jobs and others encouraged to retire early. But there would be no "mass sackings".

Mr Hurtado Miller recognised export sector problems caused by an overvalued inti but rejected abrupt devaluation.

Since August, taxes on fuel have accounted for 30 per cent of all central government revenue. Increases in direct taxation are planned, but will be slow to take effect.

Oil price rise fuels Trinidad's recovery

Canute James on the renewed impetus for economic growth

A businessman who lost property to arsonists in the botched and bloody attempt to overthrow the Trinidad and Tobago government at the end of July admitted: "We have been damned by Abu Bakr but are being saved by Saddam Hussein."

Mr Yasin Abu Bakr and more than 100 members of a black Moslem sect are facing charges for the attempted coup. It set back an economy which, by all indications, was about to turn round from seven consecutive years of decline, and left damage estimated at \$100m (£51.2m).

However, the invasion of Kuwait by Iraqi President Saddam Hussein – which started soon after Mr Abu Bakr ended his coup attempt – and the subsequent increase in oil prices promises a windfall for Trinidad and Tobago.

Although a small oil producer by world standards, with average production of 150,000 barrels a day, Trinidad's economy is dependent on the petroleum sector. Businessmen already speak of the fruits of an oil boom.

There are still signs today of the traumatic five days during which Mr Abu Bakr and members of his radical commune held hostage Mr Arthur Robinson, the prime minister, and several other MPs. Although the state of emergency and a nightly curfew have recently been lifted, armed policemen patrol the streets and several gutted buildings in the central business district of Port of Spain, the capital, remain.

Mr William Demas, central bank governor, said: "The economy was recovering when all this happened. There was a slight increase in oil prices, and there was an increase in local food production and in natural gas and petrochemical output. The trend towards economic decline since 1982 would have ended, and we would have had, at worst, zero growth."

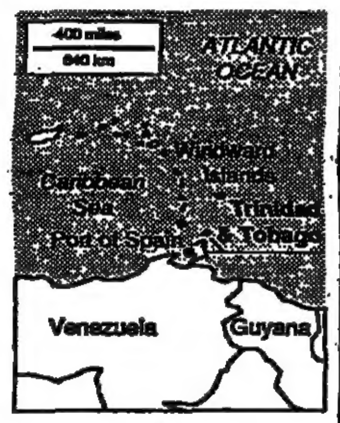
He compared this to the situation prevailing between 1982 and 1989 when real GDP was virtually halved. Per capita income fell from \$7,300 in 1982 to \$3,200 in 1989.

Mr Robinson, who was shot in the leg by his captors during the coup attempt, said that although the country would benefit from higher oil prices, he deplored the events which had led to the increase.

But there is a wariness in the country about the impact of higher oil prices and how the extra income will be used – a wariness based on bitter experience.

Trinidad and Tobago underwent rapid economic change in the 1970s, fuelled by high oil prices. The country enjoyed a per capita income which was the envy of its less well-endowed Caribbean neighbours.

Little effort was made to balance the oil-dependent economy. The government spent on public works while distributive trades enjoyed huge profits as they met demand for imported consumer goods.



The economy, grossly overheated, was already imploding when the bottom fell out of the oil market.

In the ensuing contraction the government reduced expenditure while private business shrunk, leading to rising unemployment.

The government, which had been in office for almost three decades, was voted out and the Trinidad and Tobago dollar was hit as the government turned to the International Monetary Fund for help.

The economy declined by 2.4 per cent last year, following 4.7 per cent in 1988 and an average annual rate of contraction of 4.6 per cent between 1983 and 1988. Inflation last year was 11.4 per cent and unemployment was 22 per cent.

Servicing the foreign debt of \$1.8bn will demand about \$4bn between next year and 1997, according to Mr Dennis Pantin, an economist.

Mr Demas warns, however, that the windfall from oil, if too great, could be dangerous for the economy.

"If oil prices average \$23 per barrel we would avoid the problems and the mistakes which were made during the last oil boom," he said.

"If the prices are much higher, then other sectors of the economy would again be neglected."

The expected benefits of the oil price increase have only slightly eased general dissatisfaction with the government's economic performance. During his coup attempt, Mr Abu Bakr had claimed that one of his motivations was the state of the economy.

However, Mr Robinson said: "I am not contemplating any changes in economic policy because of the events in July. It had nothing to do with our economic policies. The attempted coup came when there were signs of improvement in the economy."

The prime minister added, however, that while the economic damage of the attempted coup could be mended, he was concerned about the extent of the damage to the "political culture" of the country.

"For the first time in this country a group of people tried to use guns and violence to change the government," Mr Robinson said.

Birmingham Six appeal set for February

By Robert Rice, Legal Correspondent

THE appeal by the Birmingham Six, the men convicted for the 1974 terrorist bombings of two pubs in Britain's second largest city in which 21 people were killed, will begin on February 25 1991, the Court of Appeal ruled yesterday.

The decision to hear appeals against the life sentences, which were handed down in 1975, was made after a two hour preliminary hearing put an end to the men's hopes of being released before Christmas.

The six men, Mr Gerry Hunter, Mr Patrick Hill Mr Richard McIlkenny, Mr John Walker, Mr Billy Power and Mr Hugh Callaghan, were not present in court. No application for bail was made on their behalf.

Mr Graham Boal counsel for Mr Allan Green QC, the director of public prosecutions (DPP), said the Crown was conscious of the urgent need to expedite this appeal after 16 years but a number of "substantial" issues were still under investigation by the Devon and Cornwall police force, which is re-examining some of the circumstances of the case.

That inquiry could not be completed before the end of January. Arguing for a hearing date in March, Mr Boal said the worst thing which could happen would be for the appeal to start and for further material then to become available which had a bearing on the case.

Lord Gifford QC for Mr Hunter and Mr Michael Mansfield QC for the other five men told the court that the appellants had all the material they needed on the two main issues in the case – the scientific evidence in relation to traces of nitroglycerine allegedly found on the hands of the appellants and the confession evidence.

The appellants were therefore ready for the appeal to go ahead at the earliest possible date in the new year.

After retiring for three minutes to consider their decision, Lords Justice Lloyd and Farquharson returned to give a brief judgment.

Lord Justice Lloyd said: "We have to balance the imperative need for expedition with the equally imperative need that on this occasion the decision of the court should be taken not only on the material now available but also on such further material which may become available when the inquiry of the Devon and Cornwall police has been completed".

The judge said the court had been told by counsel for the DPP, and had to accept, that this inquiry could not be completed before the end of January after which the report would have to be studied and any fresh material made available to the appellants.

"The sensible approach therefore would be to hold a further preliminary hearing after the Devon and Cornwall police have made their report, hopefully at the beginning of February, and work towards a hearing date for the appeal of Monday 25 February," he said. This was "rather earlier" than the March date suggested by Mr Boal on behalf of the Crown.

Mrs Gareth Peirce, solicitor for five of the men, said after the hearing that the six men "have had appalling disappointments before, but they are very resilient and dignified in the face of adversity."

Brussels sets maximum length for lorries

LONGER lorries are likely to be allowed on British roads following an agreement in Brussels to set the maximum length at 18.35metres. Mr Malcolm Rifkind, the transport Secretary, acknowledged that this was not good news for the British public, but said it was the best that could be obtained given the pressure from some member states for even bigger vehicles. The current limit in the UK is 18m (such as the lorries pictured above at Dover). Member states have been haggling over the details for more than a year. The new rules specify that drivers must have at least 2.85m of space in their cabins - which would make many EC lorries illegal. The key to the agreement was the minimum length of the coupling between the cab and the trailer - which has been set at just 0.35m, half the length demanded by some countries on safety grounds.

Capacity at N-plants may be used for private work

By David White, Defence Correspondent

SPARE capacity at the British government's Atomic Weapons Establishment (AWE) may be used in future to carry out work for private-sector clients.

The AWE is responsible for all the UK's nuclear warheads, from research to manufacturing and support. Plans to use spare capacity for private sector work was made by senior officials ahead of today's second reading of a parliamentary bill providing for full commercial management at the AWE's sites at Aldermaston, Burghfield and Foulness in southern England, and Cardiff, Wales.

The main potential for outside contracts is seen as being in the non-nuclear manufacturing facilities at Cardiff, and in particular its capacity for making beryllium products for the aerospace industry.

Under the planned change, the establishment's plant and equipment will remain under government ownership but management and the workforce of some 7,000 will be transferred to a private sector contractor in October, 1992.

As an interim measure a consortium made up by Hunting Engineering, the US-controlled Brown and Root group and AEA Technology has already moved a team of about 20 managers into the establishment under a Ministry of Defence contract.

This consortium, which won against rival groupings headed by Rolls-Royce and British Aerospace, is expected to be well-placed for the second-stage contract, which is due to go out to tender in early 1992.

The government hopes to head off union opposition to the move by pledges to preserve conditions of employment and pension entitlements.

Difficulties in recruiting and keeping skilled employees at civil service pay rates have led to a shortage of several hundred personnel at Aldermaston and Burghfield, threatening adequate warhead production rates for the later stages of the Trident submarine-launched missile programme.

Officials said the establishment had "no difficulty" in meeting the requirements for the first Trident submarine, due to enter service in the mid-1990s. But it would be a "challenge" to ensure timely supplies for the remaining three vessels that are planned.

Labour outlines terms for Emu

By David Gardner in Brussels

THE Opposition Labour party was enthusiastic about European economic and monetary union (Emu) provided it was preceded by a "firm convergence" of Community economies, Mr Neil Kinnock, party leader said yesterday.

In Brussels after a meeting with the European Commission, including its president, Mr Jacques Delors, Mr Kinnock called for a Europe-wide effort to strengthen training, education, technology and transport to help EC economies converge.

Without this, he predicted a three-speed Europe at least, with "fragmentation and disintegration, rather than integration". Britain must embrace the "social dimension" of European integration, "otherwise we'll be back on the touchlines".

In embracing a future single currency, "if demonstrated to be in the British national interest", Mr Kinnock quoted approvingly a remark made to him by Mr Delors that "a good currency depends on a social market economy and not on the market alone".

Neil Kinnock, left, with Jacques Delors yesterday

Real convergence through these "balancing" dimensions to Emu was "the only condition through which monetary union will work, not only for Britain, but for the Community as a whole", Mr Kinnock said. He did not quantify the level of national and EC funding of the supply-side and development measures he touched on, for the type of convergence he envisaged to succeed.

On prime minister John Major's performance at the Rome summit, the Labour leader said there appeared to be at least three government views on a single currency, and that its policy had "gone from 'No' under Margaret Thatcher to no policy under John Major".

In the context of the inter-governmental conference on political union which also started in Rome at the weekend, Mr Kinnock said it was Labour policy to press for an extension of qualified majority voting in the European Council to cover environmental and social questions.

He also urged a "fair and democratic authority for a [European] Parliament, which all peoples of the Community elect", which should extend to giving the Strasbourg assembly the right to initiate legislation.

Government policy on the single currency was in "complete confusion" with Mr Major, once advocating his "hard Ecu" as leading to a single currency, now saying he did not want a single currency.

Mr Kinnock also attacked the government's record over European social policy which, he said, was part and parcel of the future community. It seemed that under Mr Major, Britain was not interested in the Social Charter advocated by Mr Delors, he added.

Archbishop seeks solution to Gulf crisis

By Alison Smith

PUBLIC assurances about future attempts to settle the Palestinian problem, and moves to set up a United Nations peace-keeping force, could create the atmosphere in which there could be a solution to the Gulf crisis, Dr. John Habgood, the Archbishop of York, said yesterday.

Calling war "the last resort", Dr Habgood said that while there was no question of negotiation, following the release of the hostages, the international community could help to bring about the psychological climate in which President Saddam Hussein would withdraw from Kuwait without war.

He was speaking in the House of Lords' first debate on the Gulf since early November, where opposition peers made clear their concern about the far-reaching consequences of a failure to secure a satisfactory settlement.

The archbishop suggested that the UN could reaffirm its resolution on the need for a solution to the Palestinian problem, and could start to set up a UN peace-keeping force to facilitate a military withdrawal both by Iraqi and UN forces.

"We must recognise the psychology of the situation and not just look at it from our own perspective," he said.

Lord Jenkins of Hillhead, the Liberal Democrats' foreign affairs spokesman and former EC president, said that if there were no resolution to the Gulf crisis, both the UN and the United States would be "fallen idols".

If that were the case, it would never again be possible to mount UN action to deal with a world crisis and its attitude would be largely a matter of indifference.

He warned that though the UN had been more steadfast than he had expected, the US seemed to him the "exhausted victor" of the Cold War and not a nation poised for possible sacrifice. While it might well wish to hand on the baton of leadership to another power, however, there was no one to take on that role.

Lord Waddington, the former Conservative home secretary who was recently promoted to be leader of the Lords, said that to allow President Saddam to gain from his invasion would be to set the most dangerous precedent. "In international terms we would be back in the law of the jungle."

Sanctions had always been seen as an additional form of pressure rather than likely to be sufficient in themselves, he said.

S Koreans take share in Welsh steel plant

By Anthony Moreton, Welsh Correspondent

SAMMI, a large South Korean producer of specialist steels, has taken a 23.5 per cent stake in a company which plans to start producing specialist steel products in Wales from next spring.

SAMMI paid C$5m (£2.2m) to Camborne Industries, a holding company quoted on the Vancouver Stock Exchange but now a British public limited company in a deal which represents the first South Korean investment in the principality.

Camborne's subsidiary, Aberneath Industries, is building a plant in Neath, West Glamorgan. It expects to start production in April or May of a stainless steel coating for steel products.

Under the agreement with Camborne, SAMMI has the right to sell Aberneath's output and to produce subsequently in north America and the far east.

The Welsh Development Agency has been paying particular attention to attracting inward investment from South Korea. Dr Gwyn Jones, the agency's chairman, visited Korea two months ago, but the present investment is understood to have been made independently of the visit.

Aberneath will produce a stainless-steel cladded product. It says the product will have the same corrosion-resistant characteristics as stainless steel at about two thirds of the cost. The company has developed a process called Nuovinox, a stainless steel veneer applied to mild steel.

Mr Antonino Cacace, Aberneath's South African managing director, who invented the process, said he had already produced the veneer at pilot plants in Italy and in north Africa, which were no longer in operation.

BRITAIN IN BRIEF

Germans buy stake in tour company

A minority stake in the privately-owned International Leisure Group, the UK package tour operator and airline, was sold to two German companies.

Omnicorp Advisory Services, the UK subsidiary of the privately-owned Swiss company Omni Holdings, sold the 49 per cent minority stake in ILG which it acquired two years ago, also for an undisclosed sum. Harpener AG, the German industrial and financial holdings company, is taking a 29.5 per cent stake in Hudson Place Investments, the investment company which owns ILG. A 19.5 per cent stake is also being taken by ASKO Deutsche Kaufhaus AG.

Heseltine urged to drop poll tax

Heseltine: no commitment to scrapping tax

Leading local authority councillors met Environment Secretary Michael Heseltine to offer their views on the Government's review of the community charge, or poll tax. Representatives from the Association of Metropolitan Authorities, Association of District Councils, Association of County Councils, and Association of London Authorities pressed Mr Heseltine to abolish the tax. They said in a statement: "We told the Environment Secretary that the poll tax must go, it is unfair, bureaucratic, costly and difficult to collect."

Mr Heseltine's refusal to give a clear commitment to abolish the poll tax meant his review of local government was "nothing more than electoral window dressing," they added.

Mr Heseltine told the council leaders that "nothing was ruled out" in the review.

Power firm's 'green con'

A newly privatised electricity company has been accused of the "Green Con of the Year" by environmental group Friends of the Earth.

FoE director David Gee said Eastern Electricity made a "wonderfully outrageous claim" in urging the public to use more electricity rather than less as a way of combating global warming.

New Clydesdale Bank head

Sir David Nickson, chairman of Scottish Enterprise and a former president of the Confederation of British Industry, is to become chairman of the Clydesdale Bank, replacing Sir Eric Yarrow, 70, who has been chairman of the bank for five years.

N Sea oil strike threat

A New Year strike by thousands of North Sea oil catering workers was threatened after union representatives accused employers of reneging on a 14.5 per cent pay deal.

If an agreement is not reached workers will be balloted in the New Year on all-out strike action.

Government to pay NHS bill

The government is to meet the initial £12.2m annual pay bill for 250 new posts in the National Health Service as part of a deal that will reform the working hours of junior hospital doctors.

The announcement came as Mrs Virginia Bottomley, health minister, signed an agreement under which junior doctors will move towards a maximum working week of 72 hours. Many junior doctors work 90 hours each week.

As a first step, Mrs Bottomley said the government would fund 200 new consultant and 50 new staff grade posts in England in 1991-1992 in order to stimulate the introduction of changed working patterns.

Job evaluation at Ford

Unions at Ford, the vehicle manufacturer, have agreed to an evaluation of jobs done by the company's 32,000 manual workers. It could lead to a simplified wage structure and improved job flexibility.

The company's manual unions have accepted an evaluation of about 50 sample jobs in the hope of achieving a new wage structure by November 1991. The company wants to revise its 22-year-old structure to have only two job titles with two grades.

Ford unions want three grades in the new structure compared with the present five grades and 58 job titles.

Aid for bank

The government is to give £40m towards the cost of setting up a London base for the European Bank for Reconstruction and Development. Mrs Lynda Chalker, overseas development minister, said the money would be for refurbishment and three years rent of the bank's headquarters.

Congestion grows as airlines queue up for the right to use Heathrow

Paul Betts examines the problems for British aviation policy as demand for slots at London's main airport continues to outstrip supply

BARELY three weeks into his new job, Mr Malcolm Rifkind is already faced with probably the most controversial aviation problem which has bedevilled the life of Britain's transport secretaries during the past decade. A lawyer by training, he will now have to use all his legal skills to wade through a quagmire in international aviation politics.

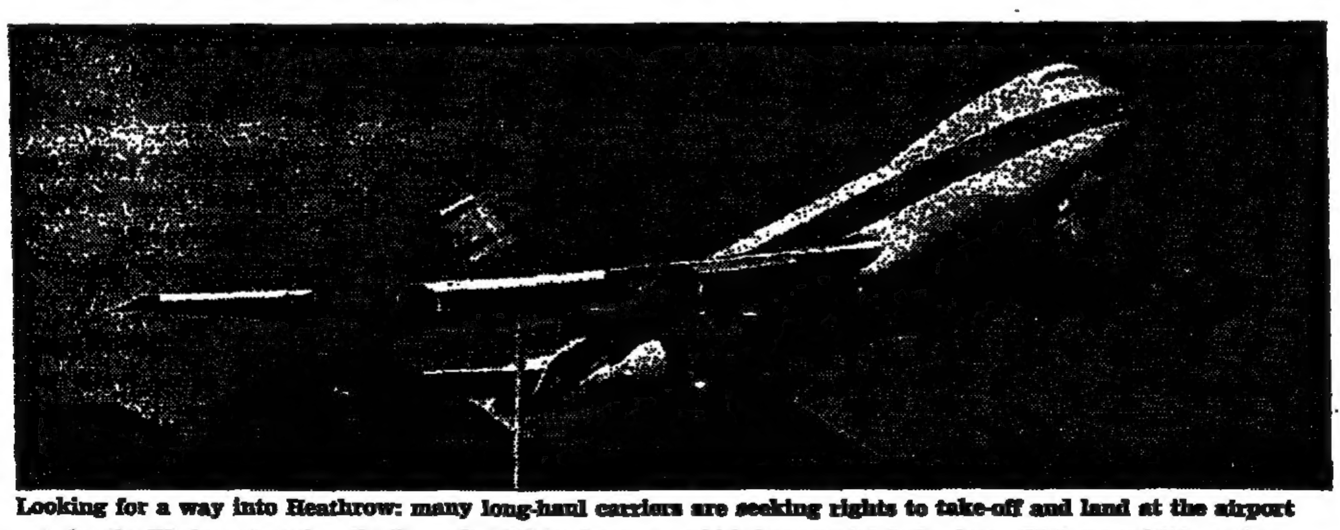
The fundamental problem involves landing and take-off rights, or slots, into London's Heathrow airport, which handles more international flights than any other. It is also one of the world's most congested airports.

Congestion, one of the cancers of air transport, forced the British government to introduce in the late 1970s a set of regulations known as the London air traffic distribution rules to ration air services into Heathrow and Gatwick, the two principal airports in south-east England. The most important rule was the decision to ban new international airlines from operating in and out of Heathrow.

But the cancer has now burst. American Airlines' decision to acquire Trans World Airlines' transatlantic route rights from six US cities into Heathrow airport for $445m has increased pressure on Mr Rifkind to speed up a sweeping review of the London air traffic regulations, which is part of a broader exercise to redefine the rules of British civil aviation.

Even before the American Airlines-TWA deal, the government was coming under intense pressure from the US administration to change the London rules to allow Pan American Airways to transfer its transatlantic route rights in Heathrow to United Airlines in a $400m transaction.

Both American and United, which have emerged during the last 10 years as the two financially strongest and largest US carriers, are seeking to circumvent the London distribution rules by acquiring the Heathrow rights and facilities of TWA and Pan AM, the former flagships of US civil aviation which have now fallen on hard times.



Looking for a way into Heathrow: many long-haul carriers are seeking rights to take-off and land at the airport

They argue that under the bilateral air service agreement between the UK and the US, known as Bermuda 2, they are entitled to take over the right to use the Pan Am and TWA slots at Heathrow since the two separate transactions involve the replacement of two US airlines with two other US carriers. Under Bermuda 2, three airlines have rights to fly transatlantic routes from Heathrow to the US: British Airways, Pan Am and TWA.

But the British government says Bermuda 2, which covers the biggest bilateral air service agreement in the west, does not give the US the automatic right to transfer the Pan Am and TWA rights into Heathrow to other carriers. Moreover, under the London distribution rules the two airlines would have to fly to Gatwick or Stansted because they would be regarded by the British authorities as new international carriers at Heathrow. The current rules only allow carriers operating international scheduled services before 1977 to use Heathrow.

There have already been two rounds of talks between US and UK Department of Transport officials to try to revise the Bermuda 2 bilateral agreement. A third round of negotiations is due to start in London on Thursday with the US expected to renew pressure for an early revision of the London distribution rules and the bilateral agreement.

The US has become particularly anxious to secure an agreement because it fears Pan Am risks facing financial collapse unless it can complete its route transfer deal with United. Although TWA is also feeling the heat, it does not appear to be in the same financial straits as Pan Am.

The Middle East crisis, which has sent jet fuel prices soaring, coupled with the economic downturn in the US and in other western economies have put enormous financial pressures on the US airline industry.

The increase in fuel prices has also accelerated the general trend towards consolidation in the US industry around a handful of financially strong airlines like United, American or Delta.

The US has also warned that the Pan Am and TWA deals could also have severe repercussions in the UK where Pan Am employs 1,350 people and TWA around 380 people.

But there are no signs, at this stage at least, that the British government will be pressed into a rapid resolution of the issue. Mr Rifkind has already made it clear that the British government will not be able to take a decision until the Civil Aviation Authority (CAA) completes its review of the London distribution rules next month. At the same time, the Department of Transport is currently studying modifications in the overall system of allocating airport take-off and landing slots at Heathrow and Gatwick. The European Commission is also proposing the introduction of a new slot allocation system at congested European airports to ensure competition in the new liberalised European air transport market.

The problem for the British government is that everybody wants to fly into Heathrow and a large number of airlines, which have been forced to go to Gatwick, have been queueing up to gain slots at Heathrow. They include a long list of international carriers including, among others, Cathay Pacific, All Nippon Airways, American Airlines, Delta, Northwest Airlines, as well as some UK carriers including Mr Richard Branson's Virgin Atlantic Airways.

Heathrow's attractions are its huge passenger volume, of which about 35-40 per cent consists of transit traffic with passengers flying to Heathrow to pick up another international or domestic flight. Any review of the current London traffic distribution rules will inevitably have to take into account not only the interests of United and American Airlines but of all the other carriers serving or wanting to serve Heathrow airport, the British government has emphasised.

The changes in the rules are bound to have a significant impact on British Airways, which currently controls about 39 per cent of Heathrow airport slots. An eventual arrival of United and American at Heathrow would clearly have important competitive implications for BA, which would face competition from two aggressive, financially sound and expansionary minded US airlines on its transatlantic business.

BA has long argued that it along with other UK carriers should be given increased access into the US airline market if US carriers were allowed greater penetration into the UK and the liberalised European air transport market. The UK government is thus expected to use the current negotiations to revise the Bermuda 2 bilateral with the US to try to secure more rights for UK airlines in the US. It also wants the US to adopt a less protectionist stance on its airline industry by enabling foreign investors to acquire more than 25 per cent of a US carrier.

The US appears to be prepared to make some concessions on all these issues to try to secure an early agreement for the transfer of the Pan Am and TWA Heathrow routes to United and American Airlines. But despite all the arm twisting which undoubtedly will be exerted, it is highly unlikely that Washington will succeed in speeding up the tortuous process of redefining the rules of flying in and out of Heathrow.

American Airlines, Page 22

TECHNOLOGY

A North Sea chemistry set

David Fishlock looks at an oilfield service which helps the environment

For Geoffrey Maitland, an oil well while being drilled is simply a long, slender chemical reactor, operating at elevated temperature and very high pressure, and spewing forth a highly polluting effluent. This is an image he believes could yield some significant advantages for the future of the oil industry, both in boring wells more efficiently and in causing less environmental damage.

Maitland, a chemist, manages research into rock and fluid physics for Schlumberger Industries, a multinational group providing technological services to the oil and gas industries.

Schlumberger's present range of oilfield services are rooted firmly in physics, but he is convinced there is untapped potential in understanding the chemistry and "chemo-mechanics" of oil drilling and production.

His laboratory near Cambridge is one of only a handful worldwide specialising in chemo-mechanics, the scientific discipline that draws together chemistry and mechanics. It is part of Schlumberger Cambridge Research (SCR), a research centre set up by the group in the mid-1980s "to try to get more data out of the hole", as its director, Claude Vercaemer, sees it.

The SCR's aim, says Vercaemer, is to understand and model the physics and chemistry of oil exploration and production, and its associated measurement and interpretation. For example, it is equipped to drill specimen rock structures with a full-scale drill bit as big as 31cm diameter, simulating conditions the industry will encounter 5,000 metres deep in the ground, where the temperature may reach 200 degC and the pressure 10,000 lb per square inch.

Schlumberger's services today are all physics-based. They harness electro-magnetic, ultrasonic, gamma-ray, shear wave and other physical phenomena to try to diagnose conditions in what one scientist characterises wryly as "a very challenging environment."

Today, chemistry is not very common in this company of 50,000, operating in over 100 countries. The SCR probably represents its greatest concentration of chemistry, says Maitland. His team's target is a better understanding of the chemistry of all three phases – drilling, completion and production – of the wellbore operation. With such understanding, he believes oilmen will be able to optimise their exploration and production operations more effectively, and also add chemical measurements advantageously to the physical ones used by the industry today.

Part of the incentive is that it could help the industry clean up its activities. According to Department of Energy estimates, in 1987 over 60,000 tonnes of oil was dumped into the North Sea as oil-based mud, the multipurpose lubricant used in drilling. This was nearly *half* the total hydrocarbon pollution of the North Sea by all industries.

Whereas the US has banned the sea-dumping of oil-based mud in coastal waters, the practice has increased in the North Sea since 1987, says Schlumberger. It estimates that each North Sea well dumps 1,000 tonnes of oil-smeared drill cuttings, to poison the water, smother seabed organisms, and taint the flesh of fish.

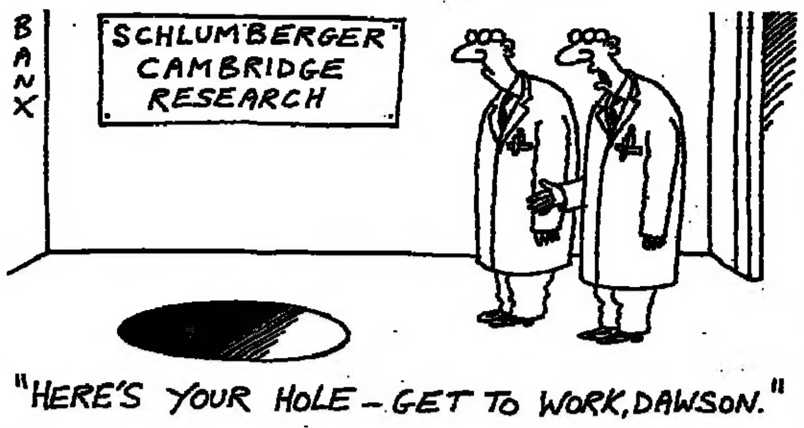
Like lubrication in any machining operation, the central task of drilling mud is to flush the rock chips away from the cutting tool and, in this case, back up to the surface.

Should the drill stop, however, they will fall back and choke the hole. So the mud is designed to set solid if is no longer being forced to flow, like ketchup until it is shaken, or non-drip paint until brushed. This keeps the chips in suspension.

Fluids which change in their physical properties according to the rate at which they are sheared are known as non-Newtonian fluids. Unlike air or water, the uses of non-Newtonian fluids cannot be scaled down. So instead of making his measurements on a small model, the scientist is obliged to do his experiments full-scale.

This laboratory was designed around two major experimental facilities, the drilling test station already mentioned, and a 15-metre flow loop through which non-Newtonian fluids can be forced at full bore.

The fluids that facilitate oil drilling are "very complex, multi-component soups", says Maitland. They have at least a score of functions – and nowadays need as many different constituents. "Like cookery", one SCR chemist suggests. And the chemistry changes dramatically as it is cooked while being pumped through the long reactor and back, changing all the flow properties you have carefully optimised at the outset, he says.



"HERE'S YOUR HOLE – GET TO WORK, DAWSON."

To take some everyday examples, liquids evaporate at the temperatures involved, and the chemistry is altered by interaction with the rock formation, particularly with shales which have ion exchange properties. It may be changed radically - even explosively – by leakage of natural gas into the hole while it is being drilled.

But Maitland believes some of the chemical changes could be turned to advantage, by telling the oilman more about what is happening in the hole. In principle, the changing chemistry could give him an integrated picture of the down-hole situation, instead of the separate scraps of physical data on which he relies at present. Maitland talks of "fingerprints" left indelibly on the fluids by their various chemical encounters (see sketch).

"But it's no good just saying 'your sodium's going up'". The chemistry has to be interpreted into terms familiar to the engineer. His goal is to augment and even replace today's physical oil logs - the imaging of the borehole with which Schlumberger launched its business in the 1930s – with chemical logs that offer something much closer to real-time information about the state of the hole.

Unlike many companies which take a dilettante view of scientific research, Schlumberger is deadly serious, Claude Vercaemer insists. Science is the bedrock of the services it sells. His laboratory, as one of two group research centres, is goal-oriented and does not pursue "blue-sky science".

His team of 110 – 44 PhDs – are mostly tackling interdisciplinary targets such as chemo-mechanics. His principal clients are four of Schlumberger's engineering laboratories, concerned with drilling and pumping operations, which he also oversees. The scientists are looking for technology they might be ready to offer the oil industry in the next five to ten years.

When X marks confusion

By Peter Martin

TECHNICALLY SPEAKING

In the bad old days, engineers in the Post Office's telephone division ensured that Britain's System X digital exchange would be so elaborately over-specified that it could never be a commercial success abroad.

Now, partly because of that fiasco, the UK telecommunications industry has changed beyond all recognition. System X exchanges, largely unsaleable abroad but effective and reliable none the less, are proliferating round the country, bringing with them the advantages of digital switching.

Yet somehow, an echo of the old over-engineered days lingers. It lingers most noticeably, in fact, for those people who try to take advantage of their new local digital exchange, by signing up for British Telecom's Star enhanced telephone services.

Take "call waiting", for example. This service, commonplace in the US for years, sends a signal to a subscriber who is on the phone that another call is waiting; and then allows him or her to switch backwards and forwards between the two.

You could, for example, ask the first caller to hold while finding out who the second caller is; then ask the second caller to hold while finishing off the first call; then switch back to the second call to finish off that conversation.

The UK version of this system works just as well as the US version. At least, I think it does; but the UK "user interface" is so complicated that I have never been able to get it to work properly.

Compare the way the UK version works with the way it works in the US. The American system is simple. If you are talking on the phone and someone else calls your line, you hear a beep. To put the first call on hold and switch to the second, you depress the switch-hook. To switch back, you depress it again; in fact, you can go on switching between the two indefinitely, passing on information from one caller to the other.

To your callers, the system is equally simple. Instead of hearing an engaged tone, the second caller hears a ringing tone until you choose to switch to him. If you don't choose to do that, he simply assumes that you are out.

The UK system is much more complicated. Instead of being able to do one thing – switch between call 1 and call 2 – you can do three. You can switch to call 2 and hold call 1; you can switch and dump call 1; and you can cancel call 2, without speaking to it.

Each of these requires a different combination of keys: R+1, R+2, and R+3. Your phone may not have an easily identifiable R button; even if it does, you will still find it hard to remember which particular combination is needed, since overlapping calls occur too infrequently to keep the routine fresh in mind.

Instead of hearing a ringing tone, caller 2 hears a cleverly synthesised voice message, preceded by the electronic tones normally used to indicate a system message. Exactly the same tone used, in fact, to signal a mis-dialled number.

Most people hang up as soon as they hear the tone. Those who persevere get a message saying soothingly "I'm sorry, the number is busy. Trying to connect you – please hold the line," from which most callers, in my experience, infer that there is something wrong with the phone. This is repeated a few times, and is then replaced with the voice saying "Sorry, your call cannot be connected. Please try later," which rams home the incorrect message that there is something wrong.

Of course, if call-waiting becomes widely used, this misapprehension will be less common. But the UK version of call-waiting is so elaborate and complex that its commercial future seems poor. Which is exactly what happened to System X in the first place.

Test of readiness to go open

Alan Cane on the challenge facing companies moving away from proprietary designs

WHY companies should move to open systems is comparatively easy to explain. Now a management consultancy has developed a simple method to help a company decide if it is ready to make the change.

Open systems, based on common, industry-wide standards offer substantial benefits, in theory at any rate, to companies looking for business advantage from their information technology.

● First there is portability, the capacity to move applications programs from one operating environment to another.

● Then there is scalability, the ability to increase or decrease the capacity of a system in small increments.

● Open systems also offer inter-operability, the easy interconnection of equipment from different suppliers.

● Finally, there is compatibility at subsystem level.

In practice, the number of companies which have moved to open systems is still limited. The Department of Trade and Industry's Open Systems Technology Transfer programme has built up a series of case studies of successful movement to open systems. The list includes the Automobile Association, British Aerospace, National Westminster Bank and Glaxo Group.

All claim to be able to demonstrate enhanced efficiency and cost effectiveness. But as the DTI points out, users looking at open systems face a number of barriers. In particular there is, it says, a low level of awareness and understanding among corporate policy makers, which is inhibiting the take-up of open systems.

So how can a company assess its potential for moving to open systems? Price Waterhouse has developed a "decision profile" for this purpose.

The profile, shown (right) consists of a series of opposed statements describing the company's current position in information technology. It might be using nothing but proprietary computer architectures or it might be a new user uncommitted to any operating systems. Its computer systems may be centralised or spread throughout the company. It may consider itself to be a technology leader or laggard.

The company has to decide where it fits between these extremes. Joining the points creates a graph-like profile which, as Price Waterhouse puts it, "goes some way to determining the likelihood of a strong or weak business case for going open." Briefly, the more the points tend to the right hand side of the profile, the easier a move to open systems should prove.

OPEN SYSTEM DECISION PROFILE

Currently proprietary	☐	☐	☐	☐	☐	Greenfield or mixed 1
Centralised	☐	☐	☐	☐	☐	Decentralised
Low growth	☐	☐	☐	☐	☐	High growth
Prepared to pay	☐	☐	☐	☐	☐	Performance/ price sensitive
Little application development planned	☐	☐	☐	☐	☐	Extensive application development planned
Technology laggard	☐	☐	☐	☐	☐	Technology leader
Technology not a competitive advantage	☐	☐	☐	☐	☐	Technology a competitive advantage
Reliant on packages	☐	☐	☐	☐	☐	Will buy 2 or develop bespoke

1. mixed in this context means a number of different proprietary architectures
2. dependent on availability of UNIX packages for target applications

● Is your company ready for open systems? Fill in the above profile and find out the answer

Cash flow

Why tight control of stock levels is a must

Periods of falling demand require greater attention to all levels of supply, **Charles Batchelor** explains

Trevor Millett, managing director of CJ's, a chain of 42 stores selling jeans and casual clothing, responded swiftly when he realised that 1990 was going to be a difficult year. Budgets were tightened, optimum staff levels reassessed and capital spending cut.

But one area which Millett refused to trim was in the tills and computer systems which told him how quickly individual lines were selling and what his stock levels were. One of the main tasks of the sales manager Millett appointed at the beginning of the year is to keep an eye on stock levels.

"When a stock line is clearly not turning into money at sufficient speed we cut the price until it does," says Millett. Hooded tops, all the rage in April, were going out of fashion in June. Prices were cut and by late August, when other retailers also started discounting, Millett had almost cleared his stocks.

When expensive items such as jackets sell better in certain stores than in others, Millett has no hesitation in switching stocks to the stores where demand is highest. Tight stock control ensures that the business has a positive cash flow and keeps its bank overdraft to a minimum. CJ's is the trading name of Peter Millett & Sons, a Hayes, Middlesex-based company with turnover of £12m and a workforce of 230.

Retailers should be able to see fairly quickly where stocks are building up because the evidence is on the shelves and the racks in the shop window. Excess stock levels are not always so obvious in businesses which involve a long manufacturing process but controlling levels of inventory is of vital importance to any business which wants to weather the recession.

"I have spent a good part of the past six months telling people to get their stocks down," comments Jon Moulton, managing partner of Schroder Ventures, a venture capital company. "We closed a warehouse

MANAGING IN RECESSION

at one of our companies so they had nowhere to stock things. Companies must drive inventory out of their systems."

"We have managed to save businesses by getting them to reduce stocks," says Allan Griffiths, head of the insolvency division of accountants Grant Thornton. "If you can get rid of £250,000 from stocks of £500,000 you can relieve your cash flow problems. If you have cash in the bank you will survive the recession. If you don't you are in trouble."

A common failing of large as well as small companies is to plan production levels to get the most out of their plant and equipment without taking into account the costs involved in holding stocks. There will be a direct cost in terms of borrowings to finance stocks while obsolete items may have to be sold at a discount and possibly even at below cost, warns Ivor Cohen, electronics industry adviser to APA, a venture capital firm.

In a recession many small-business owners attempt to keep their workforce busy, producing for stock even if demand has fallen. "If your output levels are too high you must start cutting back straight away," advises Allan Griffiths. "If you go on building up stocks you will face a bigger cash drain. If you have to take the nasty medicine and reduce your workforce the sooner you do it the better."

Companies are turning increasingly to computers to provide them with the information they need to forecast likely demand and the stocks they must carry to meet it. Holliday Chemical Holdings, a Huddersfield-based chemicals manufacturer with UK turnover of £33m is spending £160,000 on a computerised materials requirements planning system which will allow it to plan production schedules in its two UK plants (employing 367 people).

Michael Peagram, head of the new management team which bought into Holliday in 1985, believes tighter controls on purchasing and the computerised systems will allow him to cut £1m from current stocks of £8m. Stocks have been allowed to grow over the past five years as turnover quadrupled but there is now a need for tighter controls.

Sophisticated computer systems may be appropriate for a company the size of Holliday but smaller businesses can achieve considerable improvements by relatively simple changes in the way they purchase and monitor their stocks of raw materials. Holliday itself is buying in chemicals on a monthly rather than a quarterly basis where possible to reduce its own stocks.

Mercado Carpets, a Leeds-based carpet wholesaler, has computerised its stock control procedures but combines this with what John Wharton, joint managing director, calls "gut feel" to decide on the types and volumes of carpets to be purchased. Wharton estimates he devotes five hours a week to stocks and purchasing.

Mercado normally carries between £4m and £5m worth of inventory in its warehouse compared with an annual sales level of £26m. Acquired by its present management by means of a buy-out in 1989, the company employs 168 people.

Wharton keeps stocks low by buying, where possible, from suppliers with short delivery times, though shipment delays mean he is forced to hold 12 weeks' stocks of carpets from his US suppliers. In the wake of the buy-out Wharton persuaded his major suppliers to extend their payment terms by one month.

Alan Harper

Trevor Millett: computer systems tell how quickly and where particular items are selling

Resource Administration Group, a £4m turnover recruitment and property maintenance company with 22 employees, tightened up the terms and conditions of its purchase agreements as part of a general review of its sales and purchasing systems. It then went along to its larger suppliers to explain what it was doing.

"We had operated a very loose system before," explains Liam Forde, managing director. "Now we set out formally that we won't take delivery unless the goods are of a suitable quality and delivered in a timely fashion." A surprising outcome of this tightening-up was that some suppliers offered improved discount terms. "Because we looked more professional, suppliers felt much safer in dealing with us and were prepared to offer us discounts," says Forde.

Resource Administration has also introduced a system of purchase order pads, one copy of which goes to accounts, so that tighter control can be kept of orders for items such as stationery. This system means small orders can be combined to gain discounts or avoid paying delivery charges. It has been possible to achieve savings of £4,000 from a single supplier since this system was introduced three months ago and savings of 5 per cent on an annual purchasing bill of £500,000, are expected, says Forde.

Trevor Millett has cut his purchasing costs by introducing competitive tendering when commissioning shop refits. "In the past we used to ask ourselves who could do the job best but now we try to find the most cost-effective contractor. Often we end up using the same firm but maybe they were getting a bit more than they needed in the past."

For businesses which have failed to monitor stock levels closely, the introduction of tight controls can prove daunting. A "quick and dirty" way of making improvements can be achieved by grading stock as A, B or C according to the value of individual items or of the total number held. Attention is then focused on items in the A category which can provide the greatest savings, says Christopher Honeyman Brown, head of private business services at accountants BDO Binder Hamlyn.

These items can then be subjected to regular stock-takes; patterns of demand can be studied to see how frequently orders are placed, if there are peaks and troughs or whether demand is seasonal. Managers can then decide the quantities they require and when to place their next order or start their next production run if they are making the item in-house. B and C items can be brought into this programme once it is well established.

Much of the cost of many products is incurred in the final stages of manufacture so big stock savings can be made by holding stocks of semi-finished items, says Ivor Cohen. "Only put the finishing touches to an item when the customer wants it," he suggests.

Companies frequently maintain larger stocks than are necessary because a new order is triggered automatically when stocks fall to a certain level. These trigger points should be re-examined for each product to see if lower levels can be set.

If stocks have risen to unacceptably high levels managers must be ruthless in disposing of surpluses – at below cost if necessary. It is not uncommon for businesses in the garment trade to hang on to stocks of materials and finished clothing which have gone out of fashion.

"It may take years for a particular style to come back into fashion," says Allan Griffiths. "You often find companies which have large stocks but which are still buying. Then it turns out that the stocks they hold are not current items. Managers must make up their minds to sell off stocks to discount shops. There are always people looking for bargains."

"People think it is only companies which are losing vast amounts of money which go bust but that is not true. There are companies which are profitable on paper but they are failing because their demands for cash go up and up and they can no longer support it."

Previous articles in this series were published on November 21, 30, December 4 and 14.

Lobbying needs a cohesive approach

By Charles Batchelor

Small business lobby groups in Britain have been unable to realise their full potential because of their inability to agree a common stance on important issues and because they represent only a small percentage of small firms.

This is the conclusion* of Timothy May and John McHugh, researchers at Manchester Polytechnic who are studying how small business policy is made.

In spite of the Conservative government's close interest in small firms, lobbyists have been relatively unsuccessful in promoting their interests, partly because the government has a deep-seated objection to interventionist policies.

Each lobby group represents a distinctive element of a diverse small business community, the researchers say. "This makes it practically impossible for them to establish, let alone mobilise, around an agreed policy agenda."

This weakness makes it difficult for the Small Firms Division within the Department of Employment to speak for small firms inside Whitehall. The small business lobby groups are unable to provide civil servants with good quality information on the wishes of small firms.

"Despite the obvious energy and capacity of many involved in the groups, such concessions as have been extracted from government have been ad hoc and no clear, generally agreed small business agenda has been established."

In addition, most of the lobby groups are not strong enough to be used to deliver government services in areas such as training or advice. A recently launched attempt by the Association of British Chambers of Commerce to turn local chambers into a means of providing such services by 1994 have potential appeal, the researchers note.

**In a discussion document based on Policy Making and Small Business in Britain, a paper which forms part of a research programme funded by the Economic and Social Research Council.*

See also this page May 29 and November 6 1990.

In brief. . .

■ The people best qualified to quit a salaried job and set up in business on their own are in their mid-30s, have some middle management experience and still have the energy to tackle a new challenge.

This is one of the findings of a survey of 416 small business owners – employing five to 100 people and with turnover of up to £5m – entitled Small Businesses Today,* carried out by American Express.

Those who found it toughest, at least in the initial stages, had stayed in a larger company until they had reached senior management; tended to be older; and had problems working longer hours and managing without subordinates to whom tasks could be delegated.

More than six out of 10 used their own savings as start-up capital, at least in part. Four in 10 borrowed from a bank while just 4 per cent used venture capital.

**Available from Angela Campbell, American Express, Travel Management Services, Portland House, Stag Place, London SW1E 5BZ. Tel 071 834 5555. Free.*

■ A £300,000 loan scheme to help people who might find difficulty raising finance from conventional funding sources has been launched by Greater London Enterprise. The Business Incentive Scheme is designed to meet the needs of ethnic minorities, the disabled, the long-term unemployed and women.

The scheme will provide unsecured loans of up to £5,000 for up to 36 months to start-ups and businesses in their first year of trading. Interest rates are below market level and there are no arrangement fees or other costs.

A previous, similar scheme launched in 1987 made more than 120 loans. The finance and the interest rate subsidy are provided by Midland Bank and British Petroleum.

Contact Greater London Enterprise, 63-67 Newington Causeway, London SE1 6BD. Tel 071 403 0300.

THE BUSINESS SECTION ALSO APPEARS ON PAGE 8 TODAY

BUSINESSES FOR SALE

FT LAW REPORTS

No patent for computer program instructions

IN RE GALE
Court of Appeal (Sir Nicolas Browne-Wilkinson Vice-Chancellor, Lord Justice Parker and Lord Justice Nicholls):
December 13 1990

COMPUTER INSTRUCTIONS incorporating an improved method of calculating square roots and inserted into a conventional read only memory unit, constitute a computer program and are therefore not patentable.

The Court of Appeal so held when allowing an appeal by the Comptroller General of Patents, Designs and Trade Marks, from Mr Justice Aldous's decision that a patent application by Mr Norman Gale should proceed.

Section 1 of the Patents Act 1977 provides: "(1) A patent may be granted only for an invention ... (2) ... the following ... are not inventions for the purposes of this Act ... (a) a ... mathematical method ... (c) a ... method for performing a mental act ... or a program for a computer ..."

LORD JUSTICE NICHOLLS said that Mr Gale claimed to have discovered an improved method of calculating the square root of a number with the aid of a computer.

His method eliminated the division stage required by most types of computer equipment.

He had put the necessary instructions for the computer into the electronic circuitry of a read only memory (ROM) unit. He applied for a patent.

The application was rejected on the ground that the invention constituted a program for a computer and was therefore excluded from patent protection by section 1(2)(c) of the Patents Act 1977. Mr Gale appealed. Mr Justice Aldous allowed the appeal and remitted the application to the Comptroller to proceed. The Comptroller now appealed.

The application contained only one claim: "Electronic circuitry in the form known as 'ROM', to provide controlling means whereby ... 'registers' shall derive the square root of an arbitrary number ..."

Mr Justice Aldous said there was a difference between a claim which related to a disc containing a program and a ROM with particular circuitry. He said that in the former the disc carried the program and therefore was a claim relating to the program; whereas in the latter, the program or method was used as the basis for altering the structure of the ROM which then became a dedicated piece of apparatus which could be used to carry out the program or method.

A digital computer consisted of a memory and a central processing unit (CPU). The memory consisted of storage elements capable of holding a number. The CPU read numbers from part of a memory reserved for instructions. A sequence of instructions was called a program. A ROM consisted of memory. It was inserted in the computer so that its contents occupied part of the memory space of the computer used for instructions. Sequences of instructions which were frequently required were placed in ROM.

The European Patent Convention established a system of law common to contracting states, for the grant of patents. The test for patentability under the Convention was the same as under the 1977 Act. Article 52 of the Convention provided that "mathematical methods ... methods for performing mental acts ... and programs for computers" were not to be regarded as inventions.

One of the purposes of the 1977 Act was to give effect to the Convention. The Act also had a harmonisation objective. When interpreting the Act the court should have due regard to decisions of the Board of Appeal of the European Patent Office, and take them into account, although it was not bound by them.

It was a principle of patent law that an idea or discovery as such was not patentable. It was the practical application of an idea or discovery which led to patentability.

The language of section 1(2) and of article 52 embodied that principle. Section 1(2) comprised a non-exhaustive catalogue of matters or things, starting with "a discovery", which as such were declared not to be inventions. Thus a discovery as such was not patentable as an invention under the Act. But when applied to a product or process capable of industrial application, the matter stood differently.

A computer program was essentially a series of instructions capable of being followed by a CPU to produce a desired result. The instructions as such were not patentable.

That was not surprising. A computer was an apparatus which operated in response to instructions. The instructions in a computer program did no more than prescribe a particular manner of operation. Thus in writing a fresh set of instructions of use in a computer in particular circumstances or for particular purposes could not in itself be regarded as an "invention".

To be used in a computer, a series of instructions had to be recorded in a physical form which the computer could understand. Typically they would be recorded on a disc inserted in the computer when required, or in the case of frequently required instructions, in a ROM which was normally inserted and not removed.

If the instructions *qua* instructions were not patentable, a claimant's position was not improved by claiming a disc on which those instructions had been recorded, or a ROM in which they had been embodied. The disc or ROM was no more than an established type of artefact in which the instructions were physically embedded.

If the disc or ROM, considered as a disc or ROM, was in all respects conventional, a claim could no more be made for the disc or ROM incorporating those instructions than a claim could be made for a conventional compact disc on which a particular new piece of music had been recorded.

The judge drew a distinction between a claim relating to a disc containing a program and a ROM with a particular circuitry. That was not correct. The ROM became a dedicated piece of apparatus, but the only respects in which the structure of the ROM had been altered were those necessary to embody in conventional form, a particular set of instructions.

In *Genentech [1987] RPC 553* Lord Justice Dillon said: "It would be nonsense for the Act to forbid the patenting of a computer program, and yet permit the patenting of a floppy disc containing a computer program ..."

If a floppy disc containing a computer program was not patentable, it would equally be nonsense that a ROM characterised only by the instructions in that program should be patentable.

That accorded with the approach adopted by the European Patent Office.

In *IBM/Document abstracting and retrieving T22/85 [1990] EPOR 98* the Technical Board of Appeal rejected a patent application related to a method for automatically abstracting and storing documents in an information storage and retrieval system, and to a corresponding method for retrieving a document from the system. The Board held that any new concept in the application could lie only in the prescribed procedures, and those procedures or rules had no technical character but were of a purely intellectual nature.

The fact that Mr Gale's claim was for hardware was irrelevant.

It was a claim to electronic circuitry in the form of a ROM which was only distinguishable from other electronic circuitry in the form of a ROM by the sequence of instructions it contained.

As such, those instructions were not patentable, because they constituted a computer program.

Mr Gale claimed he had found an improved means of carrying out an everyday function of computers. His program made a more efficient use of a computer's resources. A computer, including a pocket calculator, with a square root function, would be a better computer when programmed with Mr Gale's instructions. But the instructions did not embody a technical process which existed outside the computer. Nor did they solve a technical problem lying within the computer.

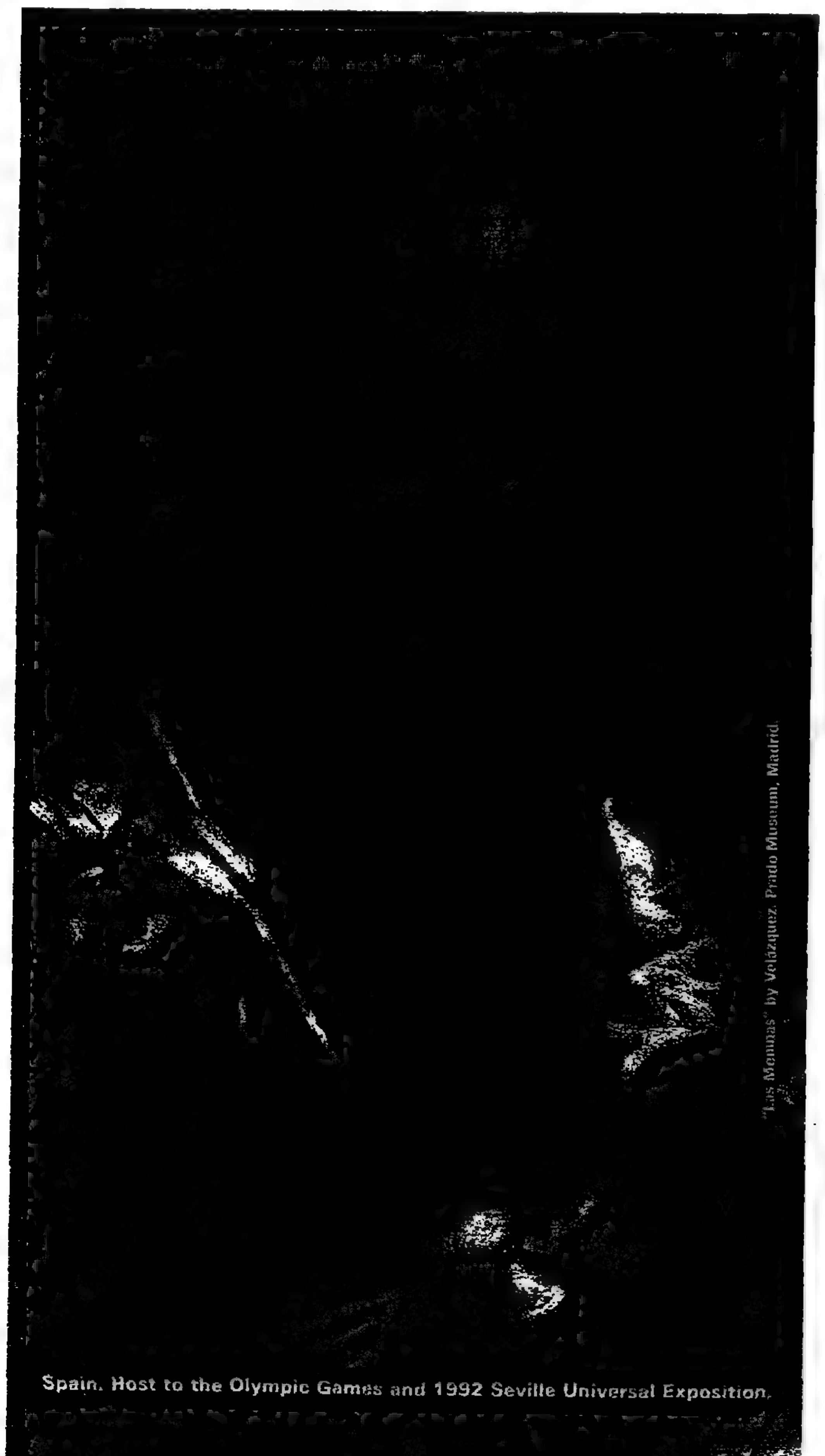
Mr Gale had devised an improvement in programming. What his instructions did, but all they did, was to prescribe for the CPU in a conventional computer, a different set of calculations from those normally prescribed when the user wanted a square root.

The claim was in substance a claim to a computer program, being the particular instructions embodied in a conventional type of ROM circuitry. Those instructions did not represent a technical process outside the computer, or a solution to a technical problem within the computer. The appeal was allowed.

Their Lordships gave concurring judgments.

Mr Gale in person.
For the Comptroller: Nicholas Pumfrey QC (Treasury Solicitor).
Amicus curiae: John Baldwin.

Rachel Davies
Barrister



Fianna Fail finds it is out of step with many young voters Page 2

FINANCIAL TIMES SURVEY

IRELAND

Tuesday December 18 1990

'The healthiest thing in the economy is that it seems unhealthy' Page 2

The election of the Republic's first woman president last month showed that its people was more prepared for change than many had imagined. Meanwhile, the economy is being hit by the troubles of Ireland's leading trade partners. **Kieran Cooke** reports

A feeling of uncertainty

President Mary Robinson meets Ireland's voters of the future in a campaign which produced one of the country's biggest ever political upsets

TWO events stand out in the Irish year. One was the performance of the Republic's football team in the world cup finals in Italy.

The other event to catch the public imagination was the election of Mrs Mary Robinson as Ireland's first woman president, an event which must rank among the biggest upsets in recent Irish political history.

Mrs Robinson's victory has already caused the resignation of one party leader and introduced an air of considerable uncertainty into Ireland's body politic. It has forced the country's leadership to take a fresh look at Irish society, sensing that it is perhaps more ready for change than the politicians had realised.

There has been plenty of other activity to keep the country occupied. For the first six months of the year Ireland held the EC presidency.

Ireland, perched on the European periphery, played host as EC leaders discussed German unity, monetary and political union, South African sanctions and other contentious issues. Ireland played out its role with considerable aplomb. Its relatively small civil service worked very hard to give satisfaction. Mr Charles Haughey, the Irish prime minister, became a European, not just an Irish, personality.

Yet Ireland still seems to find it hard to digest the consequences of moves towards European union. Within Ireland there has been very little discussion on the main Community issues; the Irish parliament has held no debate this year on monetary or political union. There has been no proper discussion about Ireland's neutral status; Mr Haughey has given only the vaguest indications of how he sees Ireland fitting into a new European security scheme

Ireland has done well out of its 18 year EC membership. Up to 1988 Ireland received I£3.7bn from various EC funds while contributing I£1.6bn to the Brussels coffers. In the 1989-93 period, Ireland is receiving I£2.86bn from Brussels in the form of structural funds. This will be used for updating infrastructure in what the government has called "the biggest development plan in the history of the Irish state".

Mr Albert Reynolds, the minister for finance, says Ireland's share of structural funds exceeds that given to any other region in the less developed category of the EC.

But things are changing. Other countries within the EC, particularly Greece and Portugal, are making increasing demands on the Brussels exchequer. More EC money will be directed at eastern Europe. Ireland faces problems about how it will conform to various EC directives – whether on bringing down its tax rates to EC levels or on opening up its border with Northern Ireland to free trade.

By emphasising "the take" of funds from Brussels, politicians have encouraged attitudes of economic dependence on the EC, particularly in regard to agriculture.

Irish agriculture, if not in crisis, is in a severely depressed state. Farmers' incomes have dropped between 10 and 15 per cent this year. The agricultural sector, which accounts for about 10 per cent of GNP (compared with the EC average of 4 per cent), is almost entirely dependent on milk and beef – products which are in surplus within the Community.

The production of both products is subsidy- rather than market-driven. With or without the GATT talks, EC subsidy cuts are having a severe effect on agriculture, passing on problems to the wider economy.

Elsewhere, the picture is brighter. Mr Haughey says his government should be proud of the "economic miracle" it has achieved since coming to office in 1987. Overall economic growth has averaged 4 per cent per year over the past four years; inflation has been kept in the low single figures, there has been a balance of payments surplus for four years running and, perhaps most important of all, government borrowing has been reduced.

Under its "Programme for National Recovery" the government has achieved a form of consensus limiting wage awards and averting strikes: "I want to make the point that we are only seeing the start of what is possible and attainable," Mr Haughey said at the end of October.

Ireland, largely dependent on export growth for its economic wellbeing, is certainly not immune to the chill winds of recession being felt elsewhere, particularly in the UK, which accounts for more than 30 per cent of total exports. Already order books are less full than this time last year.

Financial estimates produced in advance of a budget early next year show that long delayed public sector pay increases plus increases in social welfare payments are going to mean a rise in government day to day spending and a probable increase in borrowing. This is a worrying development with the national debt standing around I£26bn and debt servicing alone eating up more than I£2bn of exchequer funds each year – equivalent to I£40 per week for every worker in the country.

Mr Haughey's government has made significant progress on the jobs front, attracting several large foreign companies to set up in Ireland. Companies such as Intel, Maxtor and Fujitsu have significant electronics operations in Ireland. The availability of an educated young workforce (50 per cent of the population is under 28) is a key element in persuading such companies to invest.

But unemployment, at 17 per cent, continues to be a serious problem. With one in 30 of Ireland's population leaving the country since 1982, emigration has soaked up many of the jobless. But as job opportunities dry up elsewhere, particularly in England's southeast, Ireland's unemployment rate could climb higher.

The main business story of the year has been the problems surrounding Goodman International, Ireland's and Europe's biggest beef processor and exporter. Once regarded as one of the country's most go-ahead if secretive companies, Goodman shocked both the domestic and international audience by revealing debts of more than I£500m in mid year.

Mr Haughey's Fianna Fail party has always denied it showed any favouritism to Goodman and has tried to distance itself from the whole affair. But the Goodman debacle continues to produce shock waves in financial and political circles.

Yet the government has so far proved resilient in fighting off criticism. A coalition between Fianna Fail and the small Progressive Democrats party has worked well, though in recent months the strain has begun to show. On Northern Ireland and Anglo Irish relations there has been little progress.

Earlier this year Mr Haughey made what was seen as an historic trip to Belfast in his capacity as president of the EC council. The Irish prime minister talked to businessmen about the substantial advantages of economic and political cooperation.

Worthy words have led to little action on either side of the border. Northern Ireland's unionists remain trapped in their loyalist enclave. Mr Haughey and Fianna Fail remain committed to articles of the Irish constitution which lay claim to the north – a source of bitter resentment among unionists. But attitudes are changing. Since the election of Mrs Robinson as president, the established political parties have struggled to appear enlightened and show their willingness for change. They want to discuss divorce and other social issues. A debate on the Republic's relationship with Northern Ireland seems to be getting underway.

The Irish presidency carries few constitutional powers and Mrs Robinson might not have much direct impact on day to day politics. But there is no doubt her victory has fuelled new debate on a whole range of social and political issues. Most of all, it has raised the status of women in Ireland.

As Mrs Robinson said in her victory address "The hand that rocked the cradle has rocked the system."

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Kieran Cooke probes the reason for Fianna Fail's loss of form

A sudden change in the political climate

Charles Haughey: misjudging the mood

THE year started well for Mr Charles Haughey, the Irish prime minister. Ireland held the presidency of the EC. Two EC summits plus innumerable other meetings were held in Dublin. Mr Haughey was seen to be very much at the centre of world events. Ireland was holding its head high – and so was Mr Haughey. Never had Mr Haughey rated so highly in the opinion polls. The opposition seemed to be in disarray.

But Mr Haughey knows better than most that Ireland's politics, like its weather, is unpredictable.

At the end of 1990 Mr Haughey and his Fianna Fail party – in power since early 1987 – are not looking in the best of form. Fianna Fail, the main party in Irish politics since the foundation of the state, seems to be suffering a severe identity crisis. Mr Haughey appears increasingly isolated, though so far there has been no direct attempt to topple one of Ireland's most experienced and astute politicians.

One of the causes of the present situation was the outcome of a general election in June, 1989. Mr Haughey, in a fit of pique over what he considered to be the obstructionist antics of the opposition, had decided to go to the country. Mr Haughey and Fianna Fail misread the public mood.

For the fifth time Mr Haughey, as Fianna Fail leader, tried and failed to gain a parliamentary majority. Worse still, Fianna Fail, for the first time in its history, was forced to go into coalition – with the small Progressive Democrats party, itself a breakaway Fianna Fail group.

A fundamental examination has revealed that the Government is out of step with much of Ireland's young electorate

Talk of revolt within Fianna Fail because of the new political arrangements and a "sell out" by the party leadership faded as the new government got down to business. Keeping the economy on course was the crucial thing, said Mr Haughey.

The coalition worked surprisingly well. Any political cracks were cemented over by matters of broader national interest. But then came the presidential election campaign in the closing months of this year.

Mr Brian Lenihan, deputy Prime Minister and Minister of Defence, was chosen as the Fianna Fail presidential candidate. Party stalwarts said the election of the popular Mr Lenihan was a foregone conclusion.

Mr Lenihan lost and Mrs Mary Robinson, candidate of the Labour Party and the Workers Party, won, a shock to Fianna Fail which regards itself as the natural party of government.

A government crisis erupted after Mr Lenihan had been accused of lying over political events some years ago. The Progressive Democrats said that either Mr Lenihan must leave government or the party would oppose Mr Haughey in a vote of confidence, thus provoking another general election.

Mr Haughey capitulated: Mr Lenihan, a close political colleague of the Prime Minister's for more than 30 years, was sacked.

The presidential election had other consequences. Mr Alan Dukes was forced to step down as leader of the main opposition Fine Gael party after his party's disastrous presidential campaign.

Mr John Bruton has been brought in as the new Fine Gael leader, promising a tougher, more attacking approach by the opposition.

Fianna Fail has undertaken a fundamental examination of its policies and image. The party is seen to be out of step with much of Ireland's young electorate.

Mr Lenihan's sacking has left deep scars on Fianna Fail. The party is highly disciplined and open dissent is rare.

But Mr Haughey is not looking nearly as secure in his position as at the beginning of the year.

However, no obvious successor to Mr Haughey has emerged. Mr Albert Reynolds, the Minister for Finance, and Mr Gerry Collins, the Minister for Foreign Affairs – often mentioned as contenders for the Haughey mantle – are looked on as representatives of the old guard. Mr Bertie Ahern, Minister for Labour, is younger but still inexperienced.

Dublin's political pundits are likely to have plenty to talk about in the months ahead.

Dublin fishmonger: discriminating

Alan Harper

IRELAND AND THE EC

A comfortable connection

THE Irish like to think of themselves as good Europeans. And the more the English behave like bad Europeans, the nicer the feeling.

Certainly, Ireland has done well out of Europe. Its relatively large agricultural sector means it receives proportionately more from the Common Agricultural Policy than any other member state.

Ireland's peripherality (after completion of the Channel Tunnel it will be the only member state without a land link to the rest of the Community) helped the government secure a large slice of the increased structural funds last year.

This year, too, Ireland was able to bask in the glory of the presidency of the EC, with Dublin centre-stage as EC leaders grappled with the problems of a single currency and the implications of German unity.

Prime Minister Charles Haughey spared no expense to ensure that all went well. Even Dublin's eternal roadworks were halted for the duration to speed the ministers on their way – although the citizens must endure the backlog now.

All these undoubted benefits, though, make it difficult for serious debate on European integration to develop. Criticising the plans from Brussels can seem ungrateful after so much largesse. And if everything has turned out so well so far, surely there is little to worry about?

Even so, the government and the semi-official agencies have been quietly saying that Ireland has some concerns, especially in the area of monetary union. It may not be a domestic political issue – indeed the Opposition largely agrees – but Mr Major and Karl-Otto Poehl of the Bundesbank could find Irish support for their arguments to slow the pace towards economic and monetary union (EMU).

The Irish case was put most thoroughly by the National Economic and Social Council(NESC) in its 500-page report in 1989. The Council is more than just a think-tank. With representatives of employers, trade unions and farmers, and the Secretary of the Department of the Taoiseach (prime minister) as its chairman, the Council's reports increasingly form the basis for government policy, in a country where the idea of the white or green paper never really took root.

NESC argued that the single market could not, of itself, be expected to narrow the income differences between the different regions of the EC. The major plank of Irish policy on the Community is that the gap between richer and poorer must be improved (known in the trade as convergence).

The use of Community funds is at least as important as the money itself

Irish GDP per head, at around 65 per cent of the Community average, is little changed since the country joined in 1973, although it has been catching up in recent years. The Council foresaw serious difficulties for sectors of Irish industry as a result of the internal market, mainly because of the small size of Irish companies, and the transport burden of getting goods to the major markets. It even argued that rapid progress towards EMU was the best prospect for Ireland, provided such union was accompanied by the kind of budgetary mechanisms and redistribution of resoures as occurs within federal nation states.

There are some caveats, however. In a speech last March, the Governor of the Irish Central Bank, Mr Maurice Doyle, while supporting greater re-distribution, pointed out that the use to which Ireland put funds from Europe was at least as important as the size of the funds. "Much of our present public finance problem is due to our having invested in capital projects which do not, in fact, service the borrowings involved," he said.

Consultant Alan Gray argues that Irish industry has relatively little to fear from European integration. The economy is already the most open in the EC and companies are not dependent on public sector contracts. The single market may make their position easier, not harder.

The view from Brussels is also that Ireland will gain from EMU. Officials argue that Ireland has already paid the "entry fee" by getting inflation down to German levels in the period of budgetary retrenchment from 1985, and faces few further costs from EMU.

The recent Commission report, *One Market, One Money*, maintained that small, open economies like Ireland stood to save almost 1 per cent of GDP in elimination of currency transaction costs, compared with less than 0.2 per cent for larger states.

The Irish government will also fight hard for compensation for the costs of indirect tax harmonisation. Even if the official estimate of I£600m a year revenue loss is on the high side, it will be costly to bring VAT and excise duties to levels where the border with Northern Ireland can be opened to free movement of goods.

This is one area where direct transfers to the public purse can be justified. Less impressive is the traditional Irish argument that difficulties for the private sector are best met by increased funds for the Exchequer. NESC itself argued for a strategic policy towards European issues while Mr Doyle advocated a permanent administrative apparatus for this purpose. This, perhaps, is the area on which debate should concentrate.

Brendan Keenan

THE HEALTHIEST thing about the Irish economy right now may be the fact that it is not looking particularly healthy.

For a decade, Ireland has been out of step with its partners in Europe and elsewhere. The economy was buoyed by massive public spending when everyone else was suffering the trauma of the 1979 oil crisis. It languished under the resultant burden of debt when the developed world was booming after 1982.

But the economy is now leaner and fitter and more responsive to economic winds that blow across the sea. Indeed, with trade accounting for more than 60 per cent of gross national product (GNP), Ireland is particularly vulnerable to those winds.

The Republic has outperformed the EC average over the past four years

However, Ireland may not have many years to enjoy the fruits of the economic remedies applied vigorously since 1986. Growth last year was a highly commendable 5 per cent, and the Republic has comfortably out-performed the EC average over the past four years.

But latest forecasts from the Central Bank suggest growth next year may not be much above 2 per cent as conditions in Britain and the US take their toll. Of these, the downturn in Britain is the most important.

The huge investments by foreign multi-national companies in the past 20 years have greatly reduced the importance of trade with the UK in the national statistics. On the ground, however, the small Irish company, if it exports at all, is likely to export most of its products to Britain, while British imports provide the bulk of the competition for local producers.

To this pattern has been added the expansion of Irish companies into the UK during the good years of the 1980s. The two major banks, AIB and Bank of Ireland, expanded their British operations and moved into mortgage finance and leasing. Building material group CRH was a major investor, while the builders themselves, like Abbey and McInerney, enjoyed fat profits.

Economic outlook

Gale warnings as the trade winds gather

Now all of them are suffering in some degree from conditions across the Irish Sea. Some are among the largest companies on the Irish stock exchange and the results are plain to see in the drop in the Dublin market's value this year.

Unemployment has already begun to increase, not so much from job losses, but because there are fewer opportunities for to emigrate to Britain and the US, and some of those who had done so may be returning. Slower growth will also present severe problems for the Finance Minister, Albert Reynolds, when he presents his 1991 Budget next month.

The Irish experience, following that of Denmark, seems finally to have disproved the old orthodoxy that cutting public spending depresses the economy, even in the short-run. As Mr Reynolds wielded the axe in recent years, he found a surge of consumer and business confidence swelling his tax coffers, enabling him comfortably to beat even ambitious targets.

Until recently it seemed that the Irish budget deficit, which stood as high as 13 per cent of GNP five years ago, would be eliminated by 1992. Now, things look a lot more difficult. In particular, the inexorable rise in public sector pay – up by a total 6 per cent this year – will make it difficult to maintain fiscal progress in 1991.

"Special" pay awards, designed to keep government workers in line with their private counterparts, are to blame. Many had been postponed for years due to previous financial stringency, and another period of postponements may be introduced.

It would be a political blow for the government if it had to increase borrowing for the first time since the major party – Fianna Fail – returned to office in 1986. Borrowing is still likely to be modest – less than 2 per cent of GNP in 1991 – which should be good enough to keep the financial markets calm, but it illustrates the difficulty of making inroads on the stock of public debt.

The debt has fallen fast in relative terms, down from 130 per cent of GNP four years ago to around 110 per cent now. But this legacy of past mistakes remains a severe drain on the economy, with 9 per cent of GNP and 25 per cent of government revenues needed to service it. Even so, the country has much to be thankful for, compared with the quite recent past.

Further progress on public finance and pay will require more structural reform

Growth may be slower next year but it will still be above the EC average. Inflation is just over 3 per cent, and by some measures even less. The trade and balance of payments surpluses which emerged in the mid-80s look set to continue through to 1992.

Industrial peace and wage stability were secured by the "Programme for National Recovery" signed by government, unions and employers three years ago. Negotiations are now under way for a successor and Mr Haughey has made it a central part of his policy to secure one.

Latest reports suggest a successful formula on pay will emerge. That, however, may not be enough. Further progress on the public finances and reductions in the high levels of taxation will demand structural reform – more efficient health and transport services, a new system of public sector pay negotiation, a wider property tax and the withdrawal of the State from more areas of Irish life. It remains to be seen, now that the sense of crisis has gone, whether the will for that change exists.

Brendan Keenan

EC finance ministers (above) conferring in County Mayo last April; below: Dubliners drink morning coffee in a new shopping arcade off the fashionable Grafton Street

Limerick invests in its past and its future

Electronic revival in the city of lace

Verbatim's floppy disc plant at Limerick: a young and skilful workforce

ABOUT 40 per cent of Ireland's population live and work in the Dublin area.

But even the most blinkered Dublin resident dweller now realises that important things are afoot: developments are happening elsewhere, including such as in the Limerick region.

Limerick, whose 80,000 population makes it the Republic's third biggest city after Dublin and Cork, does not have a particularly attractive image.

It is regarded a tough, staunchly conservative city with serious unemployment problems.

The reality is rather different. These days Limerick has a feeling of vitality in what is, after Dublin and Cork, the third largest centre of population in Ireland.

New developments along the banks of the river Shannon in the city centre are bringing life back to a former area of derelict buildings and sub standard housing. The 13th century King John's castle is being restored. Limerick's main thoroughfare, O'Connell Street, is being restored to its former Georgian glory.

Next year, Limerick celebrates "Treaty 300", a year long festival commemorating the siege of Limerick in 1691 by Williamite forces and the subsequent signing of the Limerick Treaty.

"The city has improved so much compared with the old days," says Mr David Deighan, manager of Shannon Development which, along with Limerick Corporation and voluntary bodies such as Limerick Civic Trust, is rebuilding many parts of the city. "More than I£50m of private money has been invested in new developments in the inner city area in recent years" says Mr Deighan.

Limerick is the centre of a rich farming region and in the old days was a prosperous city, ruled over by a small number of merchant families. Limerick lace and ham and its clothing industry became world famous. But these industries declined and only in recent years have adequate substitutes arrived.

Limerick is now a key centre for Ireland's growing electronics sector, with multinational and indigenous companies located involved at various centres round the city. Wang, Verbatim, Analog Devices and others have been operating in the area for several years. One of the main stimulants to such high-tech development has been the stream of graduates from Limerick University.

With its 4,000 undergraduates, the university is Ireland's premier science and engineering institution. With an eye on aircraft industry developments at nearby Shannon airport, it has established a special chair of aircraft engineering.

More tourists have been attracted to the Limerick/Shannon region. More than I£80m has been put into new tourist projects in recent years.

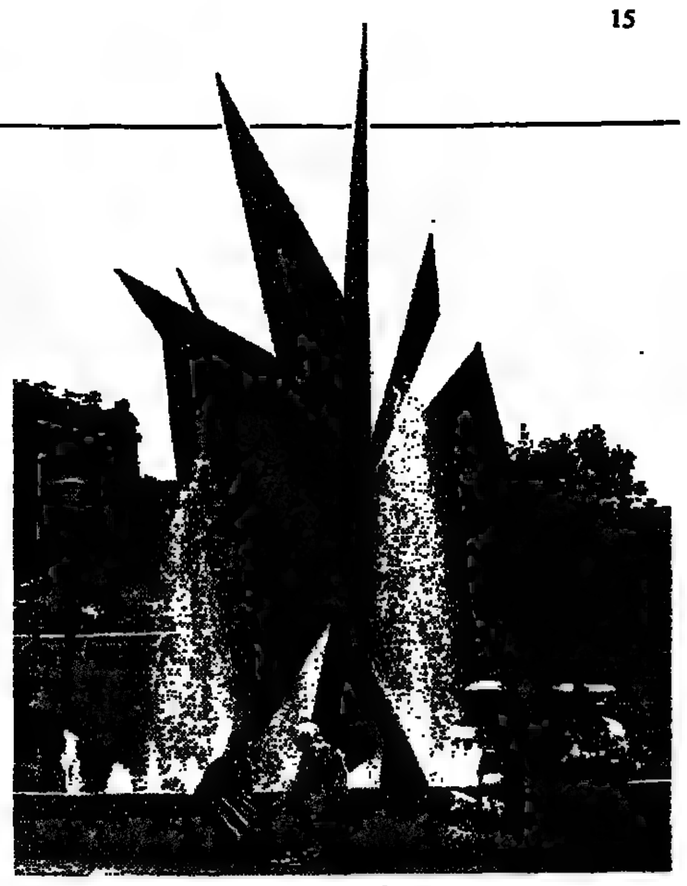
But worries continue about possible government plans for Shannon airport. For years all transatlantic flights have had to stop at Shannon. Many say that the idea of a compulsory stopover there is an anachronism and want flights to go direct to Dublin.

Mr Brendan Woods, manager of Limerick's Chamber of Commerce, disagrees. "There is still no convincing argument that overflying Shannon would increase the total number of tourists to Ireland," says Mr Woods. "All it would do is take more tourists to the Dublin area, and lead to more centralisation."

Kieran Cooke

Galway goes for growth

A haven in the West



Change and continuity in the new city centre

CITIZENS of Galway, on the west coast of Ireland, enjoy a quality of life so attractive that newly settled executives of foreign companies have described the city as "the graveyard of ambition".

Galway was once one of the Irish Republic's most important ports, the main outlet for the textile industry and zinc mines which sustained employment through the 1960s.

But in the early 1970s these traditional industries disappeared, and their place was taken by the high-tech operations of foreign concerns such as Digital Equipment, which manufactures computer hardware and is the city's largest employer.

Local business interests say that the prosperity brought by companies such as Digital and the city's second major employer, University College Galway (UCG), spared Galway from the worst of the 1980s recession. The price has been the decline of the port area, now full of empty warehouses.

A recent survey ranked Galway tenth among the Republic's ports, with a volume of traffic only tenth that of Limerick or Cork.

But if the docks are quiet, the city centre is busier than ever. Since 1985 the Government has sponsored a I£100m urban renewal programme by designating 14 acres around the central Eyre Square as a tax incentive zone.

Developers in this zone benefit from substantial capital grants and a 10 year rate free period, while their tenants can claim twice the normal tax relief on the cost of leasing their premises.

The transformation has been thorough. Whole city blocks have been replaced or restored, back streets are now linked by new shopping malls, department stores are increasing their floorspace and a new 40 unit shopping centre adjacent to Eyre Square is nearing completion. Amid all this activity the local authorities have succeeded in preserving the city's character.

Pedestrian areas are being paved with brick. Most of the new developments have been blended in with, or hidden behind, existing buildings. Neon lighting and glass and concrete facades have been avoided.

But there are fears that Galway is developing too quickly. Local shopkeepers say insufficient parking space may have been set aside for the new shopping complexes, and that despite the signs of new local prosperity Galway may have excess retailing capacity when the present schemes end.

The main reason for their concern is demographic. Galway is essentially a university town. Students of UCG and the local regional technical college account for up to 20 per cent of the city's population during the eight months of the academic year.

Their limited funds are spent in cafes and bookshops rather than in the fashionable boutiques of the new malls, which rely on summer tourists for much of their annual turnover.

Last year, the number of European tourists to the region rose by 40 per cent but Bord Failte, the Irish tourist board, has warned that this growth will not be sustained next year.

Although the developers say they have not been building ahead of the market, some traders are wondering where business for the new shops will come from.

According to Mr Jarlath Feeney, director of the local chamber of Commerce, the gap may be filled by promoting Galway as a cultural and shopping centre for visitors from Dublin and other Irish cities. "The city has a thriving theatre industry and a strong music tradition which will be developed outside traditional pubs, in recognition of the fact that not all music lovers drink," he says.

"There is a growing movement supporting the use of the Irish language, which has led to the pan-Celtic festival being moved to Galway after 20 years in County Kerry, adding to the already successful arts festival, the Galway Races and the Galway Oyster Festival." A new airport has been opened close to the city for the anticipated growth of Irish visitors.

Mr Feeney says that within a year Galway will begin to reap the benefits of the current investment programme. "One initiative spurs on the next," he says. "In Galway at the moment, there is a very real sense of success."

John Maher

Shannon airport chases big jets contracts

The sky is the limit

AMBITIOUS plans to develop a worldwide aircraft maintenance centre are being made at Shannon duty free zone and airport in the southwest of Ireland. Already companies such as GPA, the world's largest aircraft leasing group, are firmly established at Shannon.

Now the plan is to develop an aviation park: Shannon would become to aviation, it is hoped, what Silicon Valley is to electronics and Zürich to banking.

A key element in this scheme is Shannon Aerospace, a $120m project formed earlier this year and backed by GPA, Lufthansa and Swissair, with grants from the Irish government.

Shannon Aerospace plans to create an airframe maintenance facility which will start operations by the end of the 1992. At present, the company buildings and hangars are being built.

It will specialise at first in carrying out heavy maintenance checks on the airframes of Boeing 737 and McDonnell Douglas MD80 aircraft. By October 1992, the company will employ 200 rising by up to 1,000 by 1995 if all goes according to plan.

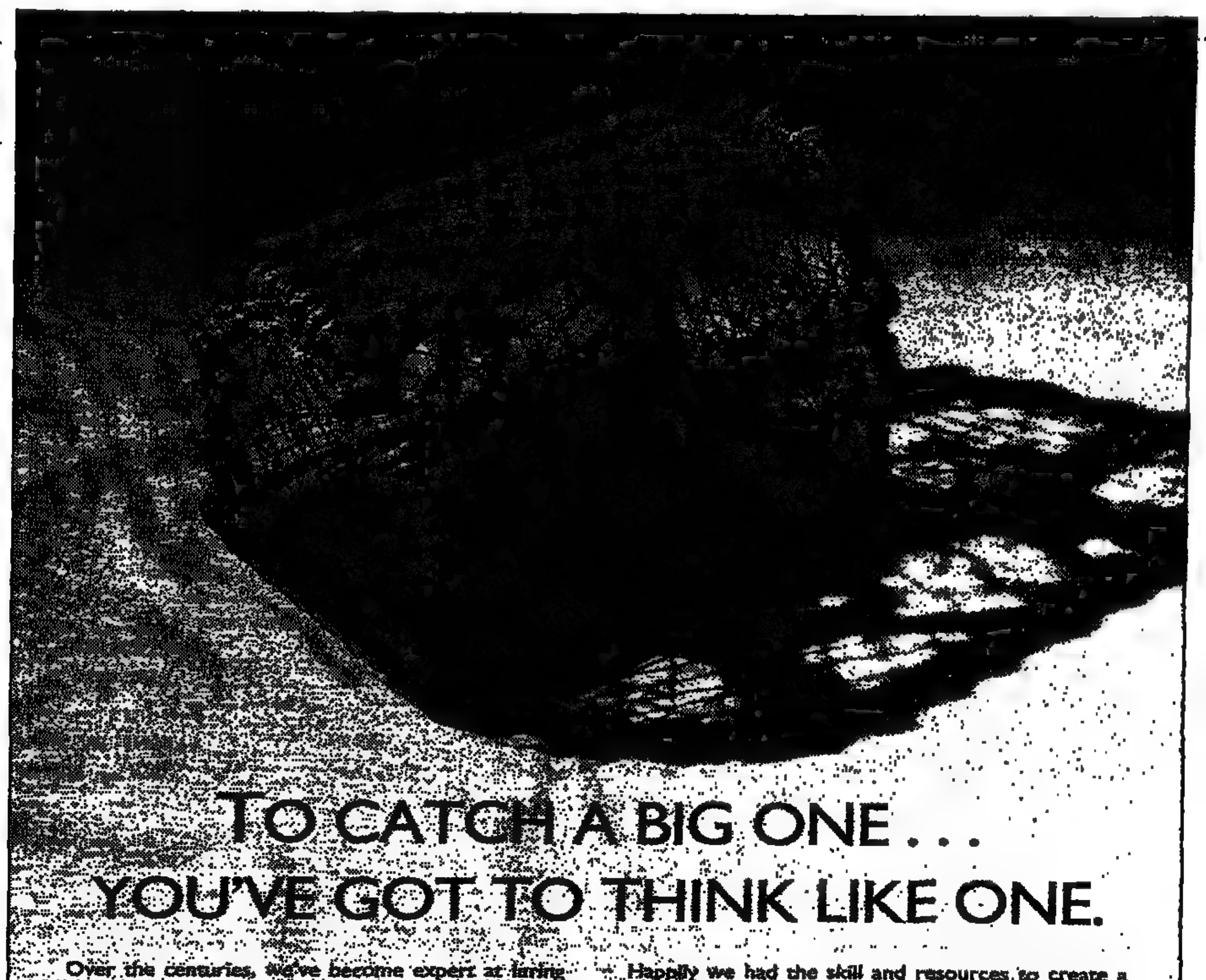
The rationale behind the operation is threefold. Both Lufthansa and Swissair are facing space restrictions on the expansion of their existing maintenance facilities. At Shannon, a 28,000 sq m facility is being built on land far cheaper than can be obtained in Switzerland or Germany.

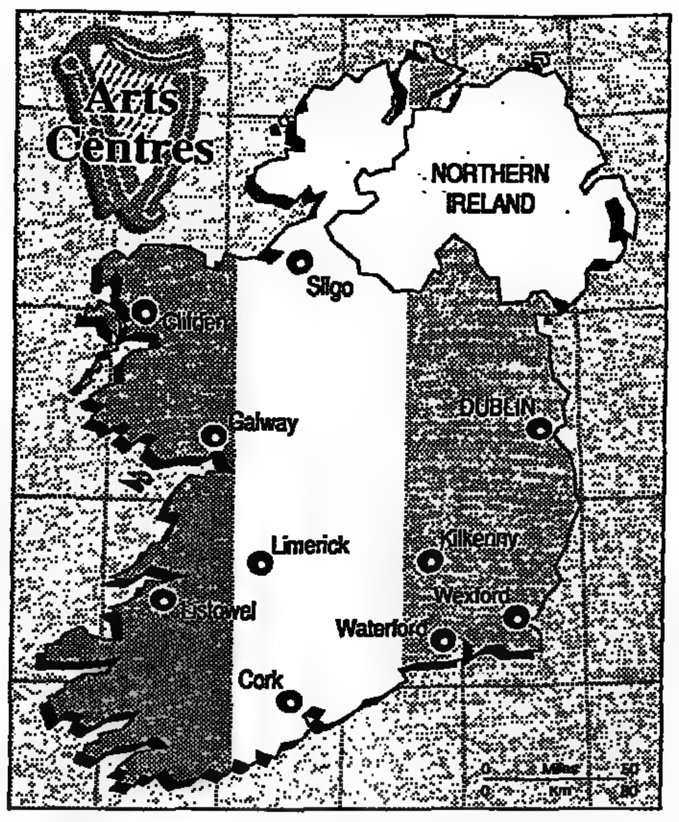
Lower capital costs, plus wages savings and other benefits, should mean that Shannon Aerospace can offer considerable cost advantages to airlines using its services.

Most important is the presence in Ireland of an educated workforce. There is a world wide shortage of aircraft technicians. Shannon Aerospace, in conjunction with the Irish government's job training scheme, is involved in an I£20m programme to train school leavers for the the air maintenance industry. More than 200 staff – all under 21 – have been taken on for a two year training programme at Shannon, at Lufthansa and at Swissair headquarters. After training, the workforce is contractually required to stay with Shannon Aerospace for five years.

Mr John Horgan, in charge of recruitment at Shannon Aerospace, says the standard of the trainees is high. "The Swiss and German instructors we have are impressed. They say the trainees are every bit as good as those back home."

Kieran Cooke





Feet are a'tapping in the world of the arts, writes **Jane Massey**

A mixture of old themes and new

SINCE the election of Mrs Mary Robinson as president, there has been much debate about the emergence of a new Ireland of youth, hope and pluralism. Many politicians seem blithely unaware that this new Ireland has been in the making for some time and has been strongly reflected in the arts.

Today the arts in Ireland are bursting with confidence, with a hive of activity in music, literature, theatre, film and the visual arts.

The education system remains broadly based, ensuring that all young people maintain a familiarity with the liberal arts as well as the sciences. The success of Irish musicians on the world stage, in rock, pop, country, classical and jazz, has generated a sense of pride and a realisation that the Irish are as good as others and sometimes better.

One important development has been a mixing of musical styles, such as rock and traditional, leading to a new crossbreed of creative music by bands such as Moving Hearts, the Fleagh Cowboys and singers such as Mary Coughlan.

In the mid 1980s, despite financial burdens, the theatres began attracting new audiences. Companies such as Passion Machine and Rough Magic in Dublin, Red Kettle in Waterford and, best known of all, Druid in Galway, began producing Irish and international plays, drawing on old traditions of O'Casey and others, but with a new creativity.

Arts festivals have sprung up all over the country. The Galway festival has become renowned for its daring approach and its wide range of artistic events.

The Cork jazz festival has thousands of visitors every year. The Wexford opera festival held in October and November presents lesser known operas in an adventurous policy that has won the festival a place on the European circuit. The Wexford festival has raised its capacity by half in the last two years and plays to capacity houses.

Literature has seen the appearance of a whole new batch of fine writers. Colm Toibin, Dermot Bolger, Mary O'Donnell, Evelyn Conlon, Nuala Ni Dhomhnaill and many others are writing about and from an island that looks out, not inwards, to the present and the future rather than the past.

Funding for the arts is still a great problem. The Arts Council – with its paltry budget of I£9.46m in 1990, is doing its best. With a few notable exceptions private sector support is limited.

Neither the Cork jazz festival nor the Wexford opera festival would be the events they are without the support of Guinness. A small but vital amount of corporate funding comes from the banks and other financial institutions. GPA, the aircraft leasing company, does much to promote the visual arts and also sponsors an international piano competition, a book prize and a music festival.

In 1991, Dublin succeeds Glasgow as European City of Culture. While plenty of events are planned, money is very scarce.

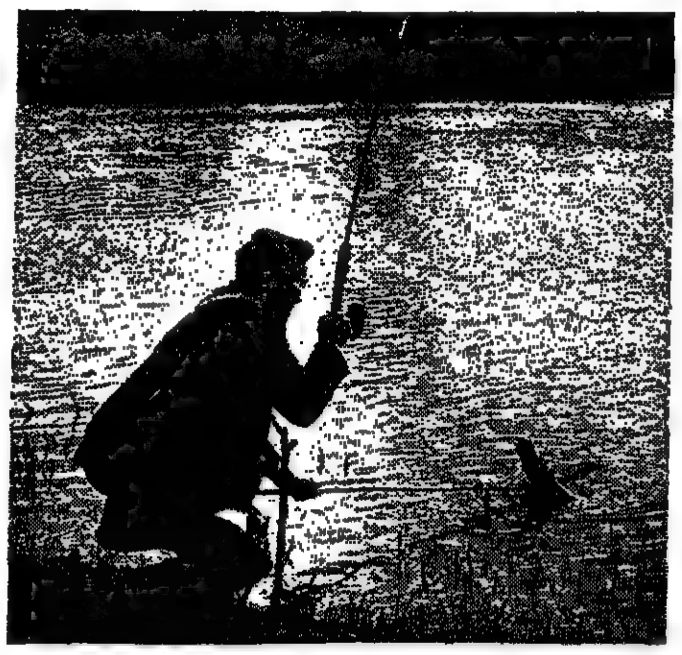
The critics complain of a lack of long term development strategy. But there is no denying the new vitality and self confidence.

● The main arts festivals are: *Clifden arts week, end Sept; Cork jazz festival, end Oct; Dublin theatre festival, late Sept-early Oct; Galway arts festival, 2nd half July; Kilkenny arts week, mid-Aug; Listowel writers week, end May-early June; Sligo arts festival, end Sept-early Oct; Waterford light opera festival, 2nd half Sept; Wexford opera festival, late Oct-early Nov.*

Kissing the Blarney Stone: where poetry starts

Tourism is increasingly important for the economy, writes **John Maher**

Land fit for anglers and golfers



Fishing in the west: special welcome for specialists

OVER the past ten years, Irish governments have increasingly come to rely on a growing tourist industry to take the place of traditional sources of employment, particularly in agriculture. Tourism now employs more than 70,000 and is one of Ireland's most important sources of foreign exchange, accounting for more than 6 per cent of export earnings.

But only recently has a concerted effort been made to develop Irish tourism. In 1988, the government instructed Bord Failte (the Irish Tourist Board) to double the annual tourist numbers and revenue in the period 1988-1992, and to create 25,000 new jobs in the industry. This required an additional 2.1m tourists spending an extra I£500m by 1992, a prospect which many considered remote.

Bord Failte says that until now it has been on course to meet these targets. By the end of this year, 15,000 new jobs are likely to have been created. Visitor numbers have been growing at an annual rate of about 10 per cent, well above the international average. But the signs for 1991 are not encouraging.

Much of the recent growth has been prompted by lower airfares, now rising again as a result of increased fuel prices. The US and the UK, major suppliers of tourists, are either in or verging on recession. The single European market may bring the end of duty free shopping, an important attraction for many travellers.

Against these considerations are set a new effort to sell Ireland's "green" image overseas and the slim hope that Americans who do travel to Europe will see Ireland, most westerly of the European nations, as the safest destination in the event of war in the Gulf.

Critics of Bord Failte have argued that tourist figures are misleading because they include groups described as VFR's (visiting friends and relatives), who tend to travel more often and spend less than other tourists.

Bord Failte says that its figures are compiled according to internationally accepted definitions, and points out that much of its advertising is specifically intended to attract the Irish who have settled abroad.

The government's Business Expansion Scheme (BES), a programme of tax incentives for investors, has helped build new hotels and upgrade old ones. It has been particularly important in the development of indoor and all-weather facilities in a country noted for its rather unfriendly climate.

The chairman of Bord Failte, Mr Martin Dully, has urged the government to extend the programme up to 1995. "Without the tax relief available on BES-type investments, many tourism projects would offer uncommercial risks to developers and would not be undertaken," says Mr Dully.

Bord Failte has been hampered in its effort to sell Ireland overseas by a reduction in government funding and continuing uncertainty over the size of the next year's budget. Marketing campaigns have been directed at specific areas and interest groups to the exclusion of others.

Angling and golfing holidays (Ireland now has 200 golf courses) are the most favourably received. Bord Failte is aware of the dangers of successful "niche" marketing.

In some popular Irish towns, some locals have begun to resent foreigners who crowd their streets and shops. Efforts are now being made to disperse the tourists in relatively untouched regions.

Signs of prosperity can be misleading. Ferries between France and Ireland are full but Bord Failte worries that so-called spontaneous holidaymakers, who like to travel without making advance bookings, must be going elsewhere. Similarly the North Atlantic air route is served by only two carriers and the Irish national airline, Aer Lingus, recently decided not to take up its rights to fly in to Los Angeles.

Unless transport operators take the brave step of increasing capacity and adding to their destinations, the tourist industry will be unable to meet the government's ambitious targets.

KEY FACTS

Area	70,000 sq km
Population	3.5 million (1988 estimate)
Head of State	Mary Robinson
Currency	Irish Pound
Average exch rate	1990 $1 = I£ 0.61

ECONOMY	1989	1990
Total GDP ($bn)	34.0*	42.0*
Real GDP growth (%)	5.8*	4.3*
Current acct balance ($m)	621	620
Exports ($m)	20,355	26,449
Imports ($m)	16,348	23,085
Trade balance ($m)	4,007	3,364
Export volume growth	+11.3	+5.0
Import volume growth	+13.0	+6.8
Industrial output (% change pa)	+12.3	+5.3**
Retail sales (% change pa)	+2.9	+3.8**
Unemployment (% of lab force)	17.0	16.4
Total reserves less gold ($bn)	4,057	6,344**
Discount rate (% pa)	12.00	11.00
Govt bond yield (% pa,avg)	8.85	10.56
Total debt as % GDP	119	N.A.
Government deficit as % GDP	2.0	1.6
Main trading partners (% of total value in 1989)	Exports	Imports
UK	34.0	41.0
West Germany	11.0	9.0
France	9.0	4.0
EC	74.0	66.0
USA	8.0	16.0
Japan	2.0	6.0

* = Estimates ** Latest figure July
Source: IMF, Datastream, EIU, Bank of Ireland.

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ARTS

Derain put in perspective

William Packer reviews the exhibition at the Museum of Modern Art, Oxford

The Museum of Modern Art at Oxford (30 Pembroke Street) enjoys a remarkable reputation, quite as much for the international scope of its activities as for the particular importance of its initiatives. Its current exhibition, of the later work of the great French painter, André Derain (until March 18, then on to Edinburgh and Troyes), conforms entirely to that character and expectation. It is sponsored by British Airways Cargo and SNVB (Groupe CIC). The monograph-cum-catalogue by Jane Lee, published by Phaidon at £25, is sponsored by the Banque Français du Commerce Exterieure.

Indeed this exhibition is especially useful, for while Derain has long been accepted as one of the great figures of early modernism, that reputation has become oddly qualified and compromised since the War. Derain was born in 1880, in the same generation as Picasso, Braque and, in actual working career, Matisse. Like them he was active in Paris through the 1900s, alive at once to the heady, contradictory influences of symbolism and post-impressionism. Around 1905 he was, with Matisse and Vlaminck, at the heart of *Fauvism*, and from 1907 close to Picasso and Braque in the development of Cubism.

Out of the Army after the First World War, he was immediately lionised as one of the greatest of contemporary painters, seen to be as successful as he was influential and controversial. He sustained this critical eminence until the outbreak of the Second War. Entirely his own man, neither self-consciously *avant-garde* in the sense of Picasso or Matisse, with their surrealism and formal preoccupations, nor yet reclusively and consistently painterly like Bonnard, he seemed to stand rather for the reconciliation of modern painting with the great European tradition. At once decorative and humane, realist and symbolic, he looked back through Courbet and Delacroix all the way to Chardin, Poussin, Velasquez and Caravaggio. He stood in the company of his great contemporaries, not first among equals, perhaps, but most certainly not last.

Then came the War, a dispossessed and distracted time under the Occupation, followed by disillusioned old age after the Liberation, resentful of a government that had seemed to impugn his good faith and principles. He refused thereafter to co-operate in any official enterprise. He died in 1954, after being knocked down by a car.

This exhibition takes as its subject the work of the later career, from around 1920 through to the end. And if that is to move from success to apparent failure and isolation, it is also to make clear the shift was never in the consistency of the work, but only in the critical response. We begin with a number of paintings of the nude, of a classical simplicity and monumentality. With them sits a magisterial still-life, of 1922, from Troyes, entirely modern in its sensibility, in direct homage to Cézanne, yet worthy of a place alongside anything of Chardin or Zurbaran or the young Velasquez. The space is coherent and fully realised, the forms simple, fully integrated and resolved. Then come some smaller landscape, they too seen and established with an almost febrile clarity and formal simplicity, the trees like columns beside the bright, clean road across the plain.

Such are the three strains in the work that for all their inner changes run consistent through his work: the figure, the still life and the landscape, seen always in almost classical terms. His handling might grow more cursory, his intention more decorative. He might address himself to open pastiche, or the restatement of the art of the past, just as he worked directly from the Old Masters in the Louvre in his youth. His niece Geneviève, holding an apple, of 1938, is cast in as strong a chiaroscuro as any Georges de la Tour. The two nude figures that survive from *la grande bacchanale noire*, on which he worked throughout the War, the one being as it were mischievously unwrapped and spun away, make conscious reference to the Arcadian fantasies of Poussin and Vouet, Titian and Veronese.

La Chasse, a large, remarkable and enchanting canvas of about 1945, of a picnic upset by the abrupt passage of the fox and hounds through a wide landscape, recalls nothing so much as the English 18th century sporting tradition and the paintings of such as John Wootton or James Seymour. The Tate's large conversation piece, the Painter and his Family, of 1939, with the parrot on the easel and the serious child looking on, would seem to be the most direct of comments upon the Experiment with an Air Pump, by Joseph Wright of Derby. Derain made many visits to England, and would have know something of English art.

Here at Oxford we have a whole gallery full of masterpieces, yet the show is by no means over-large. Many of the works requested were unforthcoming, so while it does justice to its material, it is not yet definitive. So what was ever the problem with Derain? The short answer is that the very independence of Derain's position, and its peculiar quality in a post-War world that saw Paris replaced by New York as the practical centre and critical focus of the art world, made his neglect inevitable.

To have remained positively identified with the avant-garde, as did Matisse, or positively *engagé* as was Picasso, would have been one thing: to be identified with the great European figurative tradition in a time when it appeared that abstraction must sweep all before it, and extra-European abstraction at that, was quite another. We have lived, of course, to see that tradition restored, at least in the aspiration if not the achievement of younger artists, and to see such older artists as Balthus and Freud celebrated at last at their true worth. It is in this context that Derain, the whole Derain rather than just the young, avant-garde Fauve and cubist, is restored to his proper pre-eminence, one of the greatest of painters of the 20th century.

'Arlequin e Pierrot', 1924, by André Derain

Bruckner

BARBICAN HALL

Bruckner completed his wonderful F minor Mass as he turned 44, in the year when Wagner's *Meistersinger* had its first performance (before the *Ring*, *Tristan* or *Parsifal*). All of the Bruckner symphonies from no. 2 onward were still to come, which makes it seem the more astonishing that this *Missa solemnis* should have such mature depth and power: we tend to think of the best Bruckner as standing on the shoulders of late Wagner. The received cartoon of the younger man always invokes his "simple faith", his "peasant piety" – but that does patronising injustice to the composer of the F minor Mass, which in its sturdy Romantic terms searches into the sense and force of its sacred text phrase by phrase, in deeply pondered, musically unprecedented detail.

This lengthy Mass amounts to a substantial undertaking (it was commissioned for the Viennese Imperial Court Chapel), and though it requires strong soloists it uses them sparingly, so public performances of it are infrequent. I have never heard it done with the steady, radiant insight that Colin Davis brought to it on Sunday. We hear him in the concert-hall far too little nowadays. He had the London Symphony and their Chorus on best form, and distinguished solo voices – if not quite ideally matched: Karita Mattila's soprano in its youthful glory, Alfreda Hodgson's quiet intensity, Gwynne Howell's bass woofly but in confident expressive focus. Keith Lewis limned the heartfelt "Et incarnatus" (the tenor gets the only extended solo here) with a just balance of fervour and poise.

It was not surprising that Davis, of all conductors, should find something of Berlioz in this Bruckner; but the unlikely comparison came as something of a revelation. Just as in Berlioz's *Te Deum*, the "academic" workings-out here became dramatic devices within an overall Romantic plan, in which varied aural colour and density, and telling modulations – and candid pleading from solo strings (particularly Alexander Barantschik's violin) – were no less significant. The great choral affirmations in the Gloria and the Credo compelled assent, but there was also rapt, mystified humility in the Kyrie, and at the end a beautifully graded descent to plain communal piety in the Benedictus and Agnus Dei. Every theatrical effect subserved Bruckner's devout meditation, the grandest musical testament of Austrian Catholicism.

Earlier, Davis had been a superbly attentive partner for András Schiff in Beethoven's Piano Concerto no. 4. Schiff was ultra-refined and disarming, and together they managed a lovely performance. It leaned nonetheless toward one-sided introspection. The opening Allegro, imbued with delicate feeling, turned into a Berceuse in its last pages, and in the famous Andante solo-versus-orchestra confrontation Schiff's piano was too self-effacing and white-toned to enter into any vital dialogue. For all its sprightly imagination, their Finale therefore made less of a bright, bracing contrast than it can do. Moment by moment, however, their reading offered continuous musicianly delights.

David Murray

Don Gil of the Green Britches

THE GATE THEATRE

The Gate has done it again. Here is one of those startling productions of a play you may not know exists at a venue that not everyone has yet discovered.

The Gate is a small theatre club above a pub in Notting Hill, London. It seats at most 100, but – and this is one of the keys to its success – the stage is at least as big as the seating space, so there is plenty of room for action. *Don Gil of the Green Britches* uses the stage almost to bursting point.

The play is a comedy of multiple intrigue by the early 17th century Spanish playwright, Tirso De Molina. Tirso was a friar whose real name was Fray Gabriel Tellez. According to the reference books, he wrote about 400 plays altogether, only about 80 of which have survived. Many of them were lives of the saints: a few were histories in the European fashion of the time; some were comedies like *Don Gil*.

The record books say he was condemned by his religious superiors for being too licentious in his secular pieces, and he ended up as the official historian of the Order of Mercy.

Licence, however, is not the hallmark of *Don Gil*; not even bawdy either. It is comic inventive genius. Do not seek to describe the plot. One of the standing jokes in the play is the characters themselves admitting that they are unable to keep up with what is going on, such are the changes of dress, name and motive. Suffice it to say that it is about a girl, Dona Juana, who disguises herself as Don Gil and goes to Madrid from the provinces in order to regain her husband. In the end she does, though not without there being four Don Gils around at once.

To add an English note to the play, the name Gil is pronounced "heel", which gives rise to some extra jokes like: "There are an awful lot of heels in Madrid". Don Gil itself is a Spanish joke, since "gil" means some sort of country bumpkin and a "Don Gil" is a contradiction in terms. In any case, the Spanish would always ask: "Don Gil of where?" In fact, there is no Don Gil, but it takes an agreeably long time to sort it out.

Perhaps distance lends enchantment, but I see nothing in this play that is either malicious or moralistic. It is just sheer fun and an opportunity for acting. Where there is satire, it is about the relationship between the sexes, fathers and daughters, masters and servants and between metropolitan Madrid and the rest of Spain. As such, it stands the test of time.

There is one other delight. The performance by Emma Richler as Dona Juana is outstanding. It is mainly Dona Juana's play and Ms Richler never drops a trick: voice, style and movements are absolutely right. Simon Kunz also shines as Don Martin and Kate Lock is a teasing Dona Ines.

Don Gil is directed by Laurence Boswell and runs, barring a break for Christmas, until January 19.

See it!

Malcolm Rutherford

'Una stravanganza dei Medici' on Channel 4

The set of six intermedi composed for the celebrations of the wedding of Ferdinando de' Medici and Christine of Lorraine in Florence in 1589 has survived as the most elaborate and spectacular of all such festive offerings. In their fusion of the visual, the dramatic and the musical, the development of the intermedi brought the 16th century to the very brink of fully-winged opera, even though the origins of the two forms remained quite distinct.

Although they were nominally intended to separate the acts of a spoken drama, Bargagli's +La pellegrina+, the wedding intermedi of 1589 rapidly outstripped their original function and harnessed all the formidable resources of the Medici court – the composers Marenzio, Malvezzi, Cavalieri, Peri and Caccini, the poet Rinuccini, the mannerist artist Buontalenti – while the superintendent of court spectacles, Giovanni de' Bardi, oversaw the "production". It was evidently a considerable spectacle, the high point of the wedding celebrations, full of the most elaborate stage effects, and for that reason Ferdinando de' Medici ordered the music to be preserved, in an edition by Malvezzi that recorded scrupulously all the instrumentation and vocal effects.

During the 1980s two concert performances of the complete Florentine intermedi were given in London, most notably at the Proms in 1986, and a fine recording, using a performing edition by Hugh Keyte and conducted by Andrew Parrott, appeared in 1988. But a fully staged production, following Bastiano de Rossi's written account of the performance and realising Buontalenti's scenic designs, remained a pipedream.

Channel 4's version screened on Sunday, +Una stravanganza dei Medici+, directed by Paul Kafno, which earned a special award in this year's Prix Italia competition, could have gone some way towards filling that visual gap. The Parrott recording was used as a soundtrack and all the special effects of video technology were used to recreate the original staging – gods descended to earth on clouds, dragons breathed fire, dolphins rose through the waves. As an exercise in music – dramatic archaeology it was fascinating, though one wonders (one was never told) why only five of the six intermedi were staged (the second, the singing contest between the Pierides and the Muses, was omitted). But as a piece of televised music theatre it seemed much more dubious: even if one could cope with the lip-synched acting, the special effects seemed never more than cosmetic, and the whole affair seemed to tread very close to the borders of kitsch. It is hard to believe that the Florentines would have presented the intermedi with such po-faced preciousness as this; the music is often rapturously beautiful, sensuously inventive, yet here it seemed over-refined and visually cloying, a series of chocolate-box illustrations put to a ravishing sound track.

Andrew Clements

Smith Quartet at the Almeida

The Landor recording of music by Kevin Volans, entitled *Cover Him with Grass* and including a version for string quartet of his "White Man Sleeps", has proved one of the most compelling and elating CDs of new music to be released this year. It fell to the participating string quartet on that issue, the Smith, to give the first performance of Volans's String Quartet no. 4, as part of their Sunday evening recital.

Volans has gained his international reputation through a remarkable musical development in which he married folk idioms of his native South Africa to post-modernist styles of contemporary Western music, with results at once entirely personal and enchantingly fresh. The new quartet shows that he is not content to stand still and recycle past successes. Subtitled "The Ramanjan Notebooks", it derives from a dance piece written for the Shobana Jeyasingh Dance Company based on the life and work of the Indian mathematician Srinivasa Ramanjan. Its musical idiom is no more "Indian" than that of Volans's previous works could be termed "African", but the harmonic language, though at times highly dissonant, does carry an exotic tinge that might indicate a change in continental influence.

Each of the fourth quartet's five movements is an intricate construction, rhythmically spiky and at the same time worked up out of finely devised patterns rich in mirror images and subtle refrain devices. Whether unfolding fast or (as in the final movement) in slow, meditative mood, the part-writing develops a fascinating and, in the end, hypnotic intensity: the pulsating activity of each line, the interlocking of all four, and the brief moments when stillness descends on the music all testify to Volans's masterly control of means. He's a composer with his own voice, true and clear.

The Smith are a virtuoso young group, apparently entirely unruffled by the complexities of the music. They dispatched it with evident authority. Nevertheless, the performance was a troubling experience: following the (highly dubious) model of the Kronos, they subject all their music to amplification – the guff in their biographical note about aiming to "appeal to a wider and more varied audience" may hold the clue to this grossly inartistic decision. Nothing in the Volans score suggested that amplification might be desirable for any internal technical reason (the opening work on their programme, Elena Firsova's *Misterioso*, responded even less happily to having its dynamic range bloated). Indeed, in a theatre the size of the Almeida, the amplified sound of a string quartet – that medium of the most intimate musical conversation – proved utterly grotesque.

If this is the route to a "wider and more varied" chamber-music audience, then (in Sam Goldwyn's words) include me out.

Max Loppert

'Corporate Rottweilers' criticised at ABSA awards

There was a time when the annual ABSA prize giving for companies that had done most during the year for arts sponsorship in the UK was a cosy, back slapping, gathering with a generous helping of Buggin's Turn. Not any more.

Yesterday the ABSA judges for 1990 felt unable to award the top prize, for the best corporate sponsorship, and the chairman of the judges, Lady Harlech, even managed to bite the feeding hand when referring to the arts consultants who advise companies on sponsorship as "Corporate Rottweilers".

This was a dig at the largest consultancy, Kallaway, which has put together packages such as the Prudential Awards (which must have reckoned its chances for corporate sponsor of the year), and the Royal Insurance backing of the RSC.

Lady Harlech was decidedly waspish. "There is a difference between commercial sponsorship of the arts, and corporate promotion using the arts as the vehicle, with little budget easing benefits rubbing off on the so called beneficiaries." There has been criticism of the Prudential scheme that its operating costs are greater than the cash that reaches the arts.

Such frank talk might have blighted an event which gathers together the arts and business communities in unprecedented numbers. But the interior cosiness of the Royal National Theatre; the urbanity of the host, Stephen Fry; and the decoration of the Duchess of York, who presented the awards, guaranteed that warm glow which is the objective of many sponsored arts events.

The category winners were: for Arts and Urban Regeneration – English Estates for its Arts in the Community Scheme, which encouraged innovation in, and access to, the arts; for Arts and Disabled People – United Baltic Corporation for its sponsorship of the first International Drama and Mime Festival for the Deaf; for British Arts Overseas – Rank Xerox for supporting the ENO's tour of the Soviet Union; for the Commission of New Art in any Medium – Digital for the Digital Dance Awards (the third time the company has received an ABSA award), and TSW TV for its Four Cities project which enabled 22 artists to produce sculptures for Derry, Glasgow, Newcastle and Plymouth; for First Time Sponsor – London Electricity for the London School's Symphony Orchestra; for Single Project – 3I Group for the British Art Show, and Nestlé for financing the residency of the London Mozart Players in Croydon; for Youth Sponsorship – British Telecom and TVS TV for the Youth Arts Festival and Regalian Properties for Prince Albert's Vision, a festival which brought together the Royal Colleges of Music and Art and the English National Ballet School.

The award for the arts organisation which made the most effective use of sponsorship went to the Scottish Chamber Orchestra, and *The Daily Telegraph* Award for individual achievement went to Jane Glover of the LMP.

Antony Thorncroft

ARTS GUIDE

December 14-20

OPERA AND BALLET

London

Royal Opera, Covent Garden. *Die Fledermaus* returns in a translation by John Mortimer, conducted by Richard Bonynge. American soprano Nancy Gustafson and New Zealander Malvina Major appear as Rosalinde, while Orlovsky is sung by male alto Jochen Kowalski.
Ballet. The Royal Ballet at Covent Garden presents its new triple bill; also *La Bayadère* and performances of *The Nutcracker*. London City Ballet opens a season at Sadler's Wells with a brand new *Cinderella*.

Paris

Chatelet. Broadway musical *42nd Street* with Mark Bramble supervising the original production (40282840).
Théâtre de la Ville. Josef Nadj is followed by Jean-Claude Gallotta with the Emile Dubois Group returning with their 1982 triumph of *Daphnis and Chloe* for three dancers (48742277).

Brussels

Palais des Beaux-Arts. The Monnaie Opera in *Mefistofele* by Boito conducted by Emil Tchakarov with Jose van Dam, Wieslaw Ochman, Margaret Jane Wray, Elzbieta Ardam, Franco Careccia (507 82 00).

Barcelona

Teatro Lirico Nacional la Zarzuela. Ballet Lirico Nacional dances *La Fille mal Gardée* with choreography by M. Plisetskaya. Ends December 17 (541 96 95).

Rome

Teatro Dell'Opera. Luciano Pavarotti returns to Rome after a long absence to sing Cavaradossi to Raina Kabaivanska's *Tosca*, with Ingvar Wixell as Scarpia, conducted by Daniel Oren, dramatic sets designed by the sculptor Mario Ceroli (488.17.55).

Genoa

Teatro Margherita. Beppe de Tomasi's production of Puccini's *LaBohème* with the young Italian soprano Cecilia Gasdia as Mimi, conducted by Bruno Moretti (589329).

Milan

Teatro Alla Scala. Season opens with Riccardo Muti conducting Mozart's *Idomeneo*, in a sensitive but somewhat static production by Roberto de Simone, with sets by Mauro Carosi. Excellent performances by Gosta Winbergh, Delores Ziegler and Patricia Schuman, and Carol Vaness as Electra (72.003.744).

Bologna

Teatro Comunale. Ruggero Raimondi sings the title role in Mozart's *Don Giovanni* produced by Luca Ronconi and conducted by Riccardo Chailly. Daniela Dessi sings Donna Elvira, Jane Eaglen is Donna Anna, Adelina Scarabelli, Zerlina and Alessandro Crobelli, Leporello (529999).

Berlin

Opera. *Madame Butterfly* is sung by Galina Kalinina, John Sandor and Olive Fredricks. *Tristan und Isolde* in Götz Friedrich's production stars Rene Kollo and Gwyneth Jones. *Mathis der Mahler* has Jorma Kynninen, excellent in the title role.

Hamburg

Opera. *Tosca*, in Giancarlo del Monaco's wonderful production is well sung by Ghena Dimitrova in the title role, Vasile Moldoveanu and Franz Grundheber. *Idomeneo*, conducted by Gerd Albrecht, is sung by Josef Protschka, Iris Vermillion, Roberta Alexander and Johanna Kozlowska. *Lohengrin* has a first-rate cast led by Thomas Moser, Ana Pusar, Harmut Welker, Dunja Vejzovic and Kurt Moll.

Cologne

Opera. Offenbach's *Blaubart*, produced by Willy Decker will have its premiere this week. The main parts are sung by Günter Neumann, Uta Priew, Udo Holdorf, Anneliese Fried and Georg Völker. *Die Zauberflöte* is also offered.

Bonn

Opera. *Ariadne auf Naxos* returns with a new cast led by Eva Marton, Michael Sylvester, Julia Conwell and Michael Kraus.

Frankfurt

Opera. The successful *Die Nase* production is again offered with Alan Titus, Dieter Bundschuh, Uwe Schoenbeck and William Cochran.

Munich

Opera. *Cav and Pag* stars Grace Bumbry, Gudrun Wewezow, Piero Cappuccilli and Lando Bartolini. *Der fliegende Holländer* in Gierke's picturesque production brings Julia Varady, Jakko Ryhaenen and Bernd Weikl together. *Hänsel und Gretel* is a well done repertoire performance.

New York

Metropolitan Opera. *Faust* has its season premiere, conducted by Thomas Fulton in Harold Prince's production with Diana Soviero, Neil Rosenshein and Samuel Ramey. Marilyn Horne, Chris Merritt and Samuel Ramey perform in John Copley's new production of Rossini's *Semiramide* conducted by James Conlon, who also conducts *Salome* with Hildegard Behrens, Helga Dernesch and Peter Kazaras in Nikolaus Lehnhoff's production. Julius Rudel conducts Dino Yannopoulos's production of Giordano's *Andrea Chénier* with Aprile Millo and Sherrill Milnes (362 6000).
New York City Ballet. *The Nutcracker* takes over for its annual appearances. New York State Theatre, Lincoln Center (496 0600).

Chicago

Lyric Opera. Tatiana Troyanos has the tile role in *Carmen* with Neil Shicoff as Don Jose, conducted by Eduardo Mata. Leo Nucci sings the title role in *Rigoletto* in Sandro Sequi's production conducted by John Fiore. Civic Opera House (332 2244).

SALEROOM

Record for Fragonard drawing in Paris

The practice of Drouot salerooms of crowding together quality sales during the weeks before the Christmas break in order to encourage end of year spending has come to grief this year as collectors and dealers begin counting the cost of an autumn spent in the shadow of the Gulf crisis.

There have been exceptions, of which the foremost was one of the finest sales of drawings seen in several years on December 12 by auctioneers Arcole. The 76 drawings, mainly 18th century French, came from the same private collection and were good quality, pleasantly framed, decorative and with realistic estimates. Several fussy over-priced drawings by Boucher failed to sell.

But an exceptionally fine Fragonard, "Renaud dans les Jardins d'Armide," found a buyer at Fr3.2m, a world record, while an ink drawing by Annibale Carracci despite its poor condition, went for a little under its low estimate of Fr250,000. A fine Nicolas Lancret study of a man and a pencil and gouache picture of Venice by Eugene Lami of 1866, more than doubled their high estimates at Fr620,000 each.

Ader Pickard et Tajan preparing for this year's most important sale of primitive and African art today can draw some encouragement from the one held by Guy Loudmer on December 8 and 10. Loudmer sold 61 per cent of the 355 lots for Fr8.4m, buying in for nearly Fr4m.

A 51 centimetre high feminine figure from South Cameroon who was bought by a French collector for Fr1m and of two-headed feminine statuette from Easter Island was pre-empted by French museums as bidding reached 670,000. But a sale of 200 African pieces by Etude Jutheau on Friday which did not contain such quality pieces fared less well and sold only 32 per cent.

Books, another field Drouot excels in, have also done well. Guy Loudmer netted Fr2.5m at his sale on December 15, selling 93 per cent, albeit with low estimates and few reserves.

But Ader Pickard Tajan came a victim to the Gulf crisis on December 12 with a marathon 279 lot sale of mainly average quality 18th century French furniture and objects of a sort which would have made a killing with dealers and decorators less than a year ago. They sold for just under Fr18m but bought in for Fr25m.

Nicholas Powell

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Mr Delors protests

MR JACQUES Delors is a man of remarkable achievements. He played an important role in saving France from socialism in one country and, thereafter, as president of the Commission, has done more to revive the European Community than any other person. He has a right to feel proud of his achievements. But he is now in danger of losing both his sense of priorities and his sense of proportion.

The most important immediate challenge facing the EC is that of resurrecting the Uruguay Round. This is not a responsibility the EC welcomes. But, for the world's largest trading entity and the defender of the common agricultural fortress, it is one it cannot escape.

Mr Raymond MacSharry, the Irish farm commissioner, is bound by his nationality to a minimalist position. For that reason the burden falls heavily on Mr Delors himself. Unhappily, he too sees his role as defender of the Cap against the philistines, rather than as promoter of a further expansion in world trade.

The "American attitude was to treat the Community as if it had the plague and encourage the rest of the world to join in," Mr Delors complained last week. The Community would continue to seek "a sound balance between rural and urban development". Moreover, "I am not going to be an accomplice in encouraging people to leave the land," he insisted. "I reject that totally."

Conciliatory tones

In more conciliatory tones, he added that while the EC had already asked farmers to make sacrifices "we know we have to reform the Common Agricultural Policy." But, to rub his main point in once more, he complained in Rome this weekend that "it is not up to the US to tell us how to organise our agricultural policy."

Yet the Cap is, indeed, a plague, one that has made many of the world's most competitive producers of agricultural products sick. The EC, with its deep, some would say exaggerated, concern about the dumping of industrial products, should recognise how its officially-sponsored dumping of farm products looks to the rest of the world.

Since the Cap's subsidies are production-related, it has little, if anything, to do with preserving a "sound balance between rural and urban development". Still less, can a policy that focuses its benefits on big farmers stop people leaving the land, as they have continued to do, in their millions, throughout its existence.

Past concerns

The Cap represents the EC's economic and political past; it is not a legacy to be protected into its future. The Commission should encourage the member states to recognise this, as it seems at long last to be doing. But what it should not do, even here, is treat the concerns of member states as if they were unimportant.

Over the Cap, this is no danger. Mr Delors expresses an exaggerated concern for member country sensitivities over a sector that generates less than 3 per cent of EC gross product. Meanwhile, the worries of two of the EC's major states over economic and monetary union, a development that will transform the EC, are treated with virtual contempt.

Three points must be remembered: first, the EC derives its being from the delegation of powers from member states. A botched, or unwelcome Emu would strain their consent – and so the stability of the EC. Second, the concerns of Germany about convergence and of the UK about both convergence and the ultimate political implications of Emu are not entirely unjustified. They are not absurd and should not be treated as such. Third, there is no overwhelming hurry about Emu. What matters is that the result of the IGCs attracts the wholehearted agreement of the member states and will work when put into effect.

The priority for Mr Delors and his team is to guide the EC away from an unhealthy attachment to a failed policy. Meanwhile, having successfully pushed the member states into the IGCs, they should now let the elected leaders decide how and when to reach the ultimate goals of economic, monetary and political union. Less passion, more balance, Mr Delors.

Albania's turn to choose

ALBANIA'S turn has come. It was only a matter of time before this small, poor Balkan country of 3m people would attempt to shake off communist rule. It will not be easy. It could end in bloodshed.

Albania's Party of Labour wants to avoid a revolution like that in Romania last December, which culminated in the execution of the Ceausescus. That is why President Ramiz Alia, leader of the APL, has repeatedly called for calm. His pleas may go unheeded. There are many old scores to be settled, not least from among workers who harbour intense hostility after four decades of repression and poverty. For them, the time has come for change. The direction remains unclear.

It is unclear because the APL is afraid of losing power. It has seen how all the newly-elected governments from Poland to Romania have come under pressure from their populations to put on trial the secret police and corrupt party officials.

The APL will not cede ground so easily. It has one advantage: there are no viable opposition movements which can replace the ruling élite.

Mr Alia, a cautious pragmatist, began tinkering with reform last year. He sought to bring Albania out of its long isolation imposed by the late Enver Hoxha who sealed its borders. Hoxha banned all foreign credits and broke off relations with the Soviet Union, western governments and China. When he died in 1985, Albania had no friends. It was an unknown country.

Pent-up anger

Mr Alia has sought to rectify this. Relations with the United States and the UK will soon be restored. Albania has applied to participate in the Conference on Security and Co-operation in Europe (CSCE). Internally, however, there has been little substantial change. The exodus of 5,000 young Albanians last summer, after they had stormed diplomatic compounds, revealed the extent of the pent-up anger. The wave of demonstrations last week by students and workers indicate that Mr Alia's attempt at controlling change from the top will not succeed. His decision at the weekend to arrest and put on trial scores of "hooligans" indicates that the APL is fighting to maintain control. Its brake on change will have far-reaching consequences both domestically and for the Balkans generally.

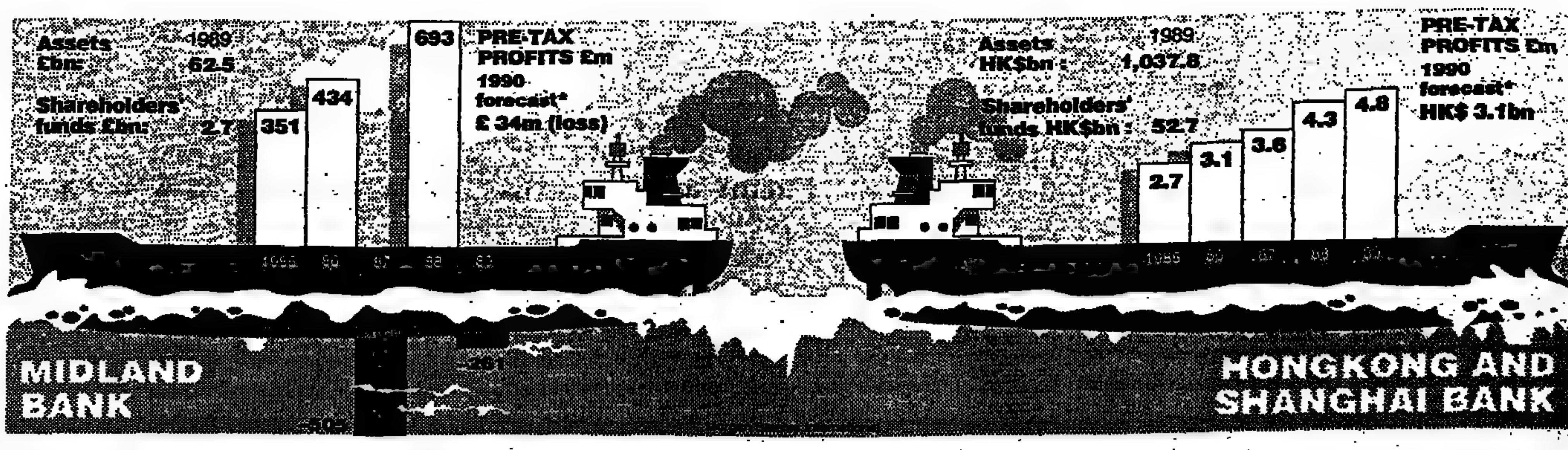
Domestically, the APL has tried to contain the independent Democratic Party, which was set up last week by intellectuals and students. By promising to hold free, multi-party elections next February, the APL assumed it could buy time and social peace. The Democratic Party complains that it will not have enough time to organise. Mr Alia should learn from the experiences of Romania and Bulgaria. If the APL is returned to power, but resists some form of power-sharing, instability and violence could ensue.

Balkan context

In the broader Balkan context, Greece and Yugoslavia both fear revolution in Albania. Hoxha ruthlessly suppressed the sizeable Greek ethnic minority. But the greatest impact will be felt among Yugoslavia's 1.8m ethnic Albanians in Kosovo, which borders with Albania. There, a separatist movement yearns for unity with their fellow Albanians. Were this to happen, Yugoslavia's territorial integrity would be undermined. Nationalist Serbia, which dominates Kosovo, would resist.

It is up to Mr Alia to prevent a violent revolution. This means building safety valves. These include a multi-party system, unhindered access to free media, independent trade unions, and curtailing the powers of the hated Sigurimi, or secret police. Without these measures, Albania will not be welcomed into the CSCE. Nor will it receive western assistance for overcoming the chronic food shortages and modernising the country's obsolescent industrial infrastructure.

A clampdown might appear a safe, short-term step. But it will radicalise workers and the youth who make up half the population. Together, they could lead Albania into turmoil or a peaceful re-entry into Europe. Mr Alia has to make his choice very soon.



David Lascelles on the collapse of the Midland-Hongkong marriage plan

A parting of the ways

The collapse of the Midland and Hongkong banks' marriage plans yesterday brings to an end one of the most publicised engagements in the banking world. But as with many high profile romances, the news came as little surprise. The two institutions are so beset with problems that any attempted union would have been ill-starred from the start. This still leaves open the question of what future awaits the unfortunate pair as they sail off on their separate ways.

When it was first mooted three years ago, the engagement was hailed as an excellent match. Despite their great differences of character, the two banks fitted well geographically, with the Midland strong in Europe, and the Hongkong straddling both the Far East and North America. Hongkong's financial strength compensated for Midland's weakness, while Midland's solid London base provided Hongkong with a second home out of the colony if it needed one.

But the break-off shows how even the best-laid plans can come to grief. Last summer it became increasingly obvious that the two banks' mounting losses would create an enormous if not insuperable obstacle to union. Although the two banks still hoped as late as last September to keep their plan alive, it was doomed by the time their boards met for their final decision last week.

According to Sir Kit McMahon, Midland's chairman, yesterday, three factors eventually tipped the scales:

- With the world banking industry under increasing strain and the two banks' bad debts rising, it was not the moment to tie up management resources trying to organise an enormously complicated merger.
- The fall in share prices made valuations very difficult. Both banks' shares are down more than 40 per cent from their 1990 highs.
- The financial structure of the merged group would have to have been highly complex to safeguard the tax position.

To some extent, the stresses on the engagement were just bad luck. The world banking environment has worsened sharply this year as recession and high interest rates have pushed companies into bankruptcy and sent bad loans soaring. The Midland has been badly hit in the UK, and the Hongkong Bank has suffered in North America and Australia.

But both banks added to their problems with failings of their own. Management has never been Midland's strong suit, and the bank has lived up to its trouble-prone reputation. A mistaken bet on interest rates last year saddled it with a lopsided treasury book which will drain profits well into next year. At the half-way point this year, Midland's operating profits were only £74m, compared with £315m the year before. Although the underlying performance has improved slightly in the second half, analysts still expect bad debts to push the bank into a loss for the year as a whole.

After these disappointments, the failure of the engagement is a double blow. The first is the loss of a strong partner to help it cure the financial weakness which has dogged it for years. Sir Kit declined yesterday to say exactly how the combined bank's equity ratios would have looked because that would have given an indication of the size of the Hongkong Bank's secret reserves. But, he said, "it would have been a strong bank."

Although Midland's "Basle" ratios – the key measure of bank strength – compare well with the other clearing banks' this is only because it has made smaller provisions against Third World debt. These will still have to be made some time.

The second blow is to Midland's strategy. Midland will now have to give up any idea of being a global bank, and concentrate on markets closer to home. This means building up its presence in Europe where it has subsidiaries in the major countries like France and Germany. But it will also have to beef up its share of the UK market which is still not profitable enough because of high costs. The bank has already shed 1,000 UK jobs this year, and another 4,000 will go next year. Branches are being rationalised, and new cheque processing centres built.

The big long-term question is whether Midland can survive on its own. Despite the wave of speculation about other potential suitors or acquirers, it is far from obvious who could take the Hongkong Bank's place. None of the big UK clearing banks would make a natural partner because of the large amount of overlap. The leading US and Japanese banks are too weak or too preoccupied to take on such a commitment.

There might be a candidate in France or Germany with an eye on the single EC market after 1992, but the chances seem remote. The large German banks are heavily involved with east Germany, while the large state-owned French banks might encounter political resistance from the Tory government which has already objected to Crédit Lyonnais buying a leasing company active in the UK.

The alternative might be a non-bank, such as an insurance company or an industrial group, but the Bank of England has said it is not keen on any of the large clearing banks passing into non-banking ownership.

Any acquirer would also have to persuade the Hongkong Bank to part with its 14.9 per cent stake. Even if Hongkong Bank did reverse yesterday's pledge to remain "a supportive and long term shareholder", it might not be prepared to take the £150m loss it is currently nursing on its investment in Midland.

Time may therefore be on Midland's side. If it can bring its costs down and boost its earnings, it might be able to rebuild its financial strength and brush aside the swirl of speculation that constantly surrounds it. But that process could take two or three years, and would entail shrinking the balance sheet, and embarking on an aggressive programme of closures and disposals of underperforming parts of the group.

"We're confident that what we're doing will produce a perfectly viable bank," said Sir Kit yesterday. One possibility that was not being dismissed yesterday is that the engagement with Hongkong might even be revived. Some, at least, of the logic behind the original deal survives, and even if the formal bonds are broken a relationship of sorts will continue.

John Elliott on Hongkong's overseas forays ahead of 1997

Bank in a hurry to change

The Hongkong Bank is so different from its UK partner that they would have made strange bedfellows.

It is an extraordinarily proud, staid and paternalistic colonial bank, dominated at top levels by Scotsmen, with a rigid system of management which has thrived in Hong Kong and a few other places in Asia and the Middle East, but which has failed to adapt to the rest of the world.

Its chairman Mr William Purves, has unusually extensive personal power because he presides over a largely non-executive board of Hong Kong's top business names and no shareholder has more than a 1 per cent holding. Such is the chairman's hold that board members are not sent board papers before meetings and are not allowed to take them away after.

From 1980 onwards the bank tried to prove itself internationally by gradually taking over the Marine Midland Bank in the US and James Capel in the UK and by setting up in Australia. It even made an abortive bid to take over the Royal Bank of Scotland. Like other local businesses, however, which are trying to diversify overseas before Hong Kong reverts to Chinese sovereignty in 1997, Hongkong found that the world outside is not so cosy and that profits do not appear quite so easily as they do at home.

Mistakenly, it treated the ventures as trade investments which needed little or no top-level direction. This was in line with a hands-off management ethos which it traditionally applied to its "officers" who, carefully trained, had been sent off down the years to run branches with considerable autonomy.

There were clashes of cultures with the newly acquired managements, and losses built up, exposing gaps in the bank's management style. This has been specially embarrassing at a time when it should have been proving itself to be internationally competent as a valid suitor for the Midland.

Instead, at the end of August, it announced its first drop in profits since 1967 which, even after some smoothing out through secret inner reserves, amounted to a 20.7 per cent interim post-tax fall to HK$1.35bn.

Without the losses, the cultures of the two banks would have come under less strain and might have gelled better. But the Hongkong is in a special hurry because it needs freedom to manoeuvre away from Hong Kong and sort out its future ahead of 1997. However, this setback clearly indicates that it has failed in its ambition to establish itself as a top ranking world bank.

Mr Purves has talked in the past about how, with the Midland, the Hongkong would rank among the top five or six international banks after the Japanese. That can no longer be an immediate ambition and Mr Purves, who is 59 later this month, may not realise it before he retires – board members can go on to 65.

The Hongkong still wants to merge with another bank to consolidate its international role and it seems at present to be dreaming about a European partner rather than one from Asia. But it is too early to speculate, or to expect rapid developments because first it must sort out its losses overseas.

It has strengthened its managements in its Australia offshoot and at Marine Midland where restructuring and cutbacks are being pushed through. But improvements will take time and the bank's 1990 profits are expected to be well down on last year's post-tax HK$4.77bn, though the board can cushion downturns by using secret inner reserves.

The good news yesterday was the restructuring with a new group holding company being set up in London to provide statutory incorporation outside Hong Kong. The aim is partly to try to reduce the bank's perceived political risk in international capital markets as 1997 approaches and also to make the group more attractive to possible future partners.

"We have evidence of people in the capital markets questioning our future for deals which can run for 10 years," Mr Purves said yesterday. "There are also indications of worries over which I have absolutely no control on credit ratings, and we have noticed our name has not been so readily accepted in some areas."

In addition, the bank also wants to shift its international assets out of China's future grasp. So the new London holding company will take over direct ownership of more than a third of the total assets including Marine Midland in the US, James Capel in the UK, the Hongkong Bank of Canada, and the British Bank of the Middle East.

But the operations in Hong Kong and the Asia-Pacific region (including Australia, at least for the time being) will be directly owned through the existing Hong Kong-domiciled corporation.

To cushion the market and political reaction to its moves, the bank stressed yesterday that its overall management, control and governmental banking supervision would remain in Hong Kong. There can be little doubt however that it will make further moves to break free as 1997 approaches. Yesterday's step was only the first.

OBSERVER

Biffa's big break

■ One of the oldest business clichés is the one about where there's muck, there's money. But Richard Biffa seems to fit the bill nicely.

The latest in a long line of Richard Biffas, who have been filling Britain's waste dumps for generations, he has just sold his company, Rechem, and stands to collect £10m in cash plus £24m in shares. Not bad for an ex-teaboy who organised Rechem's £1.6m management buy-out from BET five years ago. Malcolm Lee, his managing director, collects nearly as much, and several other directors are millionaires already.

Although he is not the sort of businessman to get a listing in Who's Who, Biffa is a name which opens gates in the tightly knit waste management world. BET still flies the old Biffa name on its fleet of waste disposal trucks.

The first Richard Biffa started in business after he left the army in 1919, with £90 which his wife had earned from her milk round.

His first big break was getting the contract to remove the ash and clinker from London's power stations, much of which was then sold for road building.

With the decline of coal-fired power stations, the Biffas were forced to move into the sand and gravel business to survive. They then stumbled on the waste disposal business by accident, when the local planners forced them to landscape unsightly gravel pits by requiring them to be filled in. It is hard to imagine that the 50-year old Biffa has no plans for fresh ventures.

Sweet revenge

■ Friends of the Earth are not amused. A year after the campaigning environmental organisation awarded British Nuclear Fuels the first of its annual "green con" awards, it has lined up another recipient – Eastern Electricity. The problem is that BNFL has not yet returned the recyclable trophy.

The tongue in cheek award, a smiling green mask with a scowling black mask on the reverse, is given to a company which FoE claims has jumped on the "green" bandwagon and made doubtful claims to environmental achievements.

However, contrary to FoE's fears, BNFL has not dumped it in the waste bin. After a brief spell in BNFL's press office it is now sitting on the desk of an executive at the Windscale nuclear reprocessing plant.

"We never asked for such a dubious object in the first place," says BNFL. "We were never told it was on loan and we certainly don't intend to pay the cost of a Red Parcel service to return it". It will probably be reprocessed.

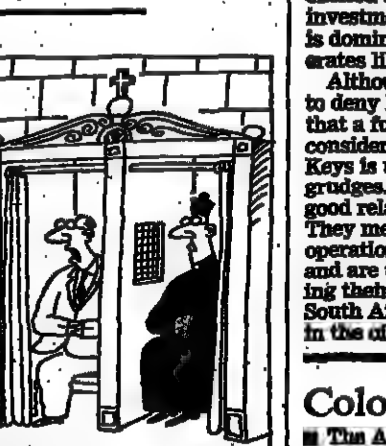
Call sign

■ Seasoned travellers will well remember the popular nickname for the pre-British Airways' BOAC – Better on a Camel. Now that TWA has put its transatlantic routes up for sale, it seems more appropriate than ever that some passengers gave it the cynical acronym – Try Walking Across.

Keys note

■ One of the reasons why Lonrho's Tiny Rowland is said to be pondering a friendly merger with Gencor, South Africa's second-largest mining house, is because he so admires the management style of Derek Keys, Gencor's chairman.

An accountant by training, Keys, 59, is a self-made millionaire. A series of deals brought him to the attention of Sanlam, the leading Afrikaner financial group, which offered him the job of sorting out Gencor, one of its more problematic investments.



"I couldn't get here any sooner – I've been Sunday trading again, Father."

Sanlam had been impressed by Keys' record, but the appointment of an English-speaker to run the Afrikaner-dominated group caused surprise and led to the exit of several top executives.

Sanlam's faith in Keys has been rewarded. Since he stepped into the chief executive's role five years ago, Gencor has been transformed. An entire tier of management has been eliminated and a new generation of managers has been hired. Headquarters staff has been cut from 1,700 to about 50. "All I concern myself with is how to achieve real growth, both by starting or acquiring businesses and by accelerating the development of existing ones," he says.

One problem that Keys has not solved yet is the narrowing of the group's hefty discount to its net asset value. There has been plenty of talk of some form of "unbundling". Keys says a decision will be made early next year, but admits that so far the concept has not excited the South African investment community, which is dominated by huge conglomerates like Anglo American.

Although he has been swift to deny Rowland's suggestion that a full merger was being considered, colleagues say Keys is unlikely to bear any grudges. Both groups enjoy good relations with each other. They merged some platinum operations in October last year and are talking about combining their coal interests in South Africa and co-operating in the oil sector.

Colour clash

■ The Advent season has inspired psychologist John Kremer of Queen's University, Belfast, to outline what various schools of head-shrinkery would make of the Santa Claus myth.

Nothing could be more basic than the Freudians' likely interpretation of the stout male figure's mode of entry into the houses where he deposits his gifts, Kremer says in Psychology magazine. But the Jungian school, which holds that such myths enshrine archetypal symbols buried in humanity's collective unconscious, has complications to explain.

Identifying the archetype represented by Father Christmas is simple. It is the Wise Old Man, "masculine counterpart to the Earth Mother: the all-seeing, all-knowledgeable, helpful guru." The difficulty is reconciling those desirable qualities with Santa's red dress, a colour which many Jungians view as a symbol of terror handed down throughout human history.

Still, while that may clash with the myth's benevolent message, Kremer thinks it may help to explain the "unhappy peer relations" of one of Santa's sleigh-drawing team – red-nosed Rudolph whom Dasher, Dancer, Prancer, Vixen and the rest would never let join in their reindeer games.

LETTERS

This recession may be far from short

From Mr Michael Nevin.

Sir, I read with interest Samuel Brittan's economic viewpoint ("The case for an EC president", December 13) and your leader ("Heading into a tighter squeeze", December 14). Although, unlike Samuel Brittan, I believe that sterling entered the ERM at the wrong time and at the wrong rate, nevertheless I do have some sympathy with his view that a short, sharp recession which squeezes inflation out of the British economy might be beneficial in the longer term.

The problem is that, while it is increasingly clear that the recession will be sharp, it is far from evident that it will be short. One has to ask how any revival in the economy will be stimulated. Consumer spending is likely to remain depressed under the combined impact of high interest rates, rising unemployment, and little growth in real earnings. Exports are unlikely to rise significantly, while sterling is pegged at a level of DM2.95, where British manufacturers find it difficult to compete on world markets. Investment is also likely to remain static, while interest rates are high, and consumption and exports depressed.

This leaves the traditional Keynesian remedy of increased levels of government spending: but we may take the chancellor at his word when he says this is not an option the present government would willingly contemplate.

The situation is worryingly reminiscent of the period of despond that followed Britain's return to the gold standard in 1925, also at an overvalued exchange rate. Even the solution proposed in your leader is the same: reductions in real wages to improve the UK's export competitiveness. The reductions required to correct sterling's overvaluation would be of the order of 10 to 20 per cent. Real wage cuts of such a magnitude would be without precedent, and there is absolutely no evidence to indicate they could be achieved.

The prospects for the British economy, therefore, appear bleak. The high level of sterling within the ERM is sustainable only with high interest rates. But high interest rates and an overvalued sterling exchange rate are depressing exports, consumption and investment. The domestic economy is consequently falling deeper into recession. We risk reliving the era of negligible economic growth and high unemployment that was experienced when sterling was on the gold standard between 1925 and 1931. That grim period ended only when Britain came off the gold standard in 1931, and the resultant devaluation was accompanied by a sharp fall in interest rates which stimulated a revival.

One can only hope that Britain's political leaders do not take another six years to learn that a currency that is overvalued on fundamental trading grounds cannot be propped up indefinitely by high interest rates, except at increasing cost to the real economy.

Michael Nevin,
Providence House,
10 Elliscombe Road,
Charlton, SE7

And the human scrapheap waits

From Brian Reading

Sir, The prime minister, Mr John Major, has argued that "if wage rises stay high, that will necessarily affect jobs". Unfortunately, those most likely to obtain large wage increases are, almost by definition, those least likely to become unemployed. Given the skill shortages in Britain, skilled workers demand their pay should at least rise in line with the cost of living, which is correctly measured by the headline retail price index. Their employers, similarly, have no option but to concede. Some will be forced into insolvency as a result, but of the workers who consequently lose their jobs, the ones who have obtained the largest pay increases are also the ones most likely to obtain other employment on the same or better terms.

The level to which unemployment may have to rise before there is a significant surplus of skilled workers will probably be higher in the present recession than in the last, as it always has been in every recession in Britain since the war. In the process, those least to blame for wage inflation and least able to obtain alternative employment will be cast on the human scrap heap.

One of the saddest facts of British post-war experience is that no better palliative for the evil of inflation has yet been found than to exchange it for the evil of unemployment. Palliative not cure, because recessions defer rather than defeat inflation in precisely the same way that incomes policies do. Any sharp contraction in demand and rise in unemployment in the short term, through its malign effects on investment training, research and development, and the quality of the labour force, causes a contraction in supply in potential in the longer term. Thus, when demand is allowed to recover, inflation always accelerates again at a higher level of unemployment than before.

The causes of, and cures for, British inflation are highly contentious issues. As such, they deserve to be debated seriously and at length. Rather than continuing pig-headedly to pursue their own pet theories, it is surely time the government established a Royal Commission to examine the matter. Royal Commissions have been out of fashion these past years. But British inflation is a problem for which no solution has been found for half a century. Hearing all arguments from all sides would be no bad idea.

Brian Reading,
83 Shakespeare Tower,
Barbican, EC2Y

The failure of many aid programmes is no mystery

From Mr Harry Shutt.

Sir, It is hard to believe that the World Bank and the IMF are really as baffled as Peter Norman suggests ("World Bank and IMF review the odds on technical gamble", December 10) as to why their technical assistance, and related structural adjustment programmes, have failed to result in the "enhanced capacity of institutions" in so many developing countries.

The principal reason is in fact all too familiar to most people who have had the opportunity to observe the impact of such programmes at first hand, namely the chronic absence of any motivation for local officials to discharge their duties with diligence or honesty. This stems either from the absurdly low levels of their remuneration, or from fear of offending the corrupt and brutal dictatorships under which most of them work.

How can it be expected that a minister or permanent secretary typically earning no more than $100 a month – or living in perpetual fear of reprisal, either physical or financial, if he acts contrary to the interests of the ruling clique – will dedicate himself conscientiously to the implementation of necessary reform programmes? The predictable reality is that most of what time these officials do devote to their duties is spent looking for ways either of supplementing their paltry salaries through graft or of avoiding responsibility for decisions which may upset the powerful.

For the World Bank or the IMF to suggest that the problem is one of lack of skills or competence is particularly extraordinary given that they are themselves now increasingly staffed by Third World citizens who would readily provide the missing expertise in the administrations of their own countries if only the conditions in such posts were remotely tolerable.

The only solution is to channel more aid into directly financing the current departmental budgets specifically to improve salary levels. Obviously such funding would need to have the strongest possible strings attached, including democratic reforms and cuts in the size and role of armed forces. Such a proposal would doubtless be resisted almost as much by those donors who have grown accustomed to viewing aid as a convenient means of manipulating client governments as it would by the recipients themselves. Yet this cynical underwriting of waste and maladministration, which should never have been tolerated even while the Cold War continued, is totally inexcusable now that it has ended.

Harry Shutt,
The Grange,
Hillside,
Horsham, Surrey

Right hemisphere, wrong continent

From Julio Moreira

Sir, Judging from all the articles published during last week's Brussels meeting of the Uruguay Round, it is clear there is a widespread belief that the Cairns Group was originated in Australia.

Let me set the record straight. The group was conceived by Ambassador Carlos Perez del Castillo, then director-general for economic affairs of the ministry of foreign affairs of Uruguay, and currently permanent secretary of the Latin American System (Sela). It was established in a meeting held in Montevideo, Uruguay, in April 1986, chaired by Mr Perez del Castillo and attended by senior officials (vice-minister level) from Argentina, Australia, Brazil, New Zealand and Uruguay. The group was originally called: "Group of Temperate Zone Agricultural Efficient Producing Countries of the Southern Hemisphere."

At that meeting, the original members of the group decided to invite other efficient world agricultural producing countries to join them. A second meeting of the group at seniors official level was held in Thailand in July of the same year and was attended by 14 countries. The first meeting of the group at a ministerial level was convened in Cairns, Australia in August 1986, where the name Cairns Group was adopted.

Since the meeting in Punta del Este that launched the Uruguay Round in September 1986, the group has been under the leadership of Australia, which has performed an excellent job.

Julio Moreira
Jose Lamas 2959
Montevideo, Uruguay.

Next up for privatisation

From Mr Michael Ivens.

Sir, *Lex* is saying farewell to privatisation too soon. On the day he did this ("So farewell then, privatisation", December 10), elsewhere in your paper Tim Dickson was forecasting a looming battle between Europe's government postal services and the private sector.

Our money is on Mr Dickson. The first draft of the Commission's Green Paper indicates a monopoly-minded approach. And yet with all the expansion and future developments in new communications technology, it is essential that postal services should be opened to competition within nations and on an international basis.

Michael Ivens
director, Aims of Industry
40 Doughty Street, WC1

A statutory minimum wage is the way to help those on the breadline

From Mr Mark Minford & Mr Chris Pond.

Sir, The suggestions for reform of the social security system by Samuel Brittan and Stephen Webb in the book "Beyond the Welfare State" (reviewed December 7) focus on the potential benefits of a basic income (BI) scheme. There are a number of problems inherent in this scheme:

In practice, it is not possible to fund adequate BI schemes without raising tax or withdrawal rates. Either the BI is universal and set at a level sufficient to replace current benefits at subsistence, in which case it would damage incentives by implying a sharp increase in marginal tax rates; or it is income-related, thereby helping to institutionalise the poverty trap.

There is also the danger that some employers may take advantage of the fact that employees received extra income from the state, and cut wage rates. Brittan accepts this would amount to a form of "payroll subsidy" to low-paying employers, and admits "wages would be even lower in some low-paid jobs than they are at present". This discourages training or investment by providing employers with a subsidised source of cheap labour.

It has always been unrealistic to expect the social security system alone to eradicate poverty. Poverty must be tackled at its source through economic policies that generate well-paid employment, discouraging discrimination in the labour market and the provision of decent minimum wages.

Three million people still work full time and yet find themselves living in poverty or on its margins. The way to help them is through the introduction of a statutory national minimum wage alongside universal benefits for the disabled, sick and carers.

Mark Minford, *research officer, and* Chris Pond, *director*
Low Pay Unit
9 Upper Berkeley Street, W1H

TV stations set record straight

From Mr Richard Dunn.

Sir, Your article ("ITV opts for central scheduling", December 11) was inaccurate in certain respects.

The ITV contractors have not made a decision to move to central scheduling of the network's programmes. They have not agreed to form a separate company for the purpose. And they are not in the process of recruiting a chief executive.

The scheduling and commissioning of programmes for the last two years of our current IBA contracts is substantially complete. What is at issue, therefore, is the optimum system from 1993 onwards. This is for the Channel 3 licensees to determine (subject to the approval of the ITC and OFT as specified in the Broadcasting Act), not the current ITV contractors.

What we have agreed by a large majority is to pursue a definition of a central scheduling system based on an appointed executive or executives. We have central scheduling now, I should emphasise, but it is done by delegates from 10 of the regional companies, working federally. Between now and the award of C3 licences, a working group will examine in detail the complex issues involved in expanding the professional staff at the centre, not least of which are the conflicting requirements of the ITC and the OFT. This regulatory clash looks like undermining Parliament's regional remit for C3.

Thames and Yorkshire were in the minority because they were not prepared to commit themselves to something which was ill-defined, uncosted, and fraught with difficulties. We will participate fully in the working-group discussions, however, and are committed along with all our ITV colleagues to find the best scheduling and commissioning system for the '90s. The regulatory environment and other areas of uncertainty do need to be cleared up before this can be achieved.

Richard Dunn,
chief executive,
Thames Television plc,
306-316, Euston Road, NW1

Stock market short termism need not involve any mispricing

From Mr Alfred Kenyon.

Sir, Professor Paul Marsh's paper "Short termism on trial" (published by the Institutional Fund Managers Association, Park House, 6th Floor, 16 Finsbury Circus, London EC2M 7JP) demolishes in masterly and comprehensive form the assertion that the stock market misprices shares by giving inadequate weight to longer term cash flows. He refutes the short termist argument in the form in which it is usually put.

However, should not the short termist argument be put the way John Plender set it out ("Malaise in need of long-term remedy", July 20, and "Throw sand in the takeover machine", July 24)? When the market in X plc ordinary shares hears or suspects an imminent takeover bid, it undergoes a transformation. Until then, the market, day by day, has priced and traded small *non-controlling* parcels of stock. The bid turns it into a *market in corporate control*. It now deals in amounts of equity which can confer and change control of the management, and of the assets. What is traded, has changed. The price may jump by anything from 30 to 50 per cent, but some significant part of that rise – the pure control premium – is due to the sheer difference between the day-to-day market and the market in corporate control.

This form of stock market short termism does not involve any mispricing. The apparent single market in X plc shares is really two quite distinct, yet efficiently priced markets, separated by a wide price gap. The switch from one to the other can be abrupt.

A fund manager who has to issue quarterly reports finds it hard to resist this cashable premium. His short-termist need to realise that premium has nothing to do with whether the incumbent management of X plc might do better than the bidder's. He is motivated to take the control premium by either selling in the market or by accepting the bid. It makes little difference whether the bidder offers shares or cash.

Corporate managers, fearing an arbiter who ignores the merits of their own performance, may react with a short termism their own. They may cut not big, share price-boosting R&D or capital projects, but unglamorous routine spending, which normal prudence incurs for the needs of tomorrow. Examples are maintenance, training, professional recruitment procedures, and environmental protection. Such cuts are normally invisible. The sums saved boost current reported profits, and might induce the market to upgrade its estimate of future cash flows.

This model involves no mispricing. A mere model cannot of course prove or disprove the existence of short termism. Even less can it suggest that the German or Japanese systems are superior. The model does, however, make short termism more acute, with 70 per cent of equities in institutional hands, as the average small investor is under less short term pressure than the fund manager.

Alfred Kenyon,
visiting professor, City University Business School,
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FOREIGN AFFAIRS

A chance to rectify past omissions

The vacant post of UN High Commissioner for Refugees should go to a Japanese luminary, argues **Jurek Martin**

A good first rule of journalism is never to write about a friend or close acquaintance. The sadly invariable second rule is to disregard the first.

My colleague, Samuel Brittan, is a stickler for first principles. So, when he wrote last week about the need for a directly-elected president of Europe, he assures, under the most ruthless interrogation, that he had no individual in mind for the job.

Lesser mortals do not possess this detachment, which leads to the following plunge. There is a chance – in the politics of the United Nations nothing is ever certain – that any time now Mrs Sadako Ogata will be named to the vacant position of United Nations High Commissioner for Refugees. If it happens, five unqualified rousing cheers will be appropriate. For her appointment will be, in no particular order, good for the organisation, good for its parent, good for refugees, good for Japan and good for women.

The special interest may be briefly declared. I have known Mrs Ogata since the early 1980s, initially through her equally distinguished husband, Shijuro, then deputy governor of the Bank of Japan for international affairs, now deputy governor of the Japan Development Bank. She was then, and still is, professor of international relations at Sophia University in Tokyo.

But she was also the first Japanese woman ever named to ambassadorial status, to the UN from 1978-79, and served as a special emissary to investigate the plight of Cambodian refugees. She is a member of the Trilateral Commission, an international assemblage of the great and good, and served on the Independent Commission on International Humanitarian Issues from 1983-87. She has been chairman of the Executive Board of Unicef. She has just finished a human rights mission to Burma for the UN secretary general.

She has no formal political experience, but is a commentator in the Japanese press, veering, as much as one respectably can in Japan, to the left of centre, but not so far that the elders of the ruling, and conservative, Liberal Democratic Party have not tried to persuade her to stand for parliament. She has one of the best analytical minds in the business, as a fistful of publications demonstrate.

So much for that which will cause blushes all around. The UNHCR itself badly needs someone like her. It has not had a distinctive leader since Prince Sadruddin Aga Khan ran the show in the 1970s. Worse, it has lost two High Commissioners in the space of a year, Jean Pierre Hocké under a cloud of scandal and Thorvald Stoltenberg going home last month to be foreign minister of Norway after only 10 months on the job (good ones, too, by all accounts).

The weight and complexity of the problems UNHCR confronts have never been greater. There never have been as many refugees in the world as there are today. Going by the official book, there were an estimated 2.5m in 1970, 8.2m in 1980 and 15m at the start of the year. The present Gulf crisis alone will have added substantially to the global total, as would any mass exodus from the Soviet Union and some of the other troubled nations of eastern Europe. Even defining refugees is becoming more difficult, as the Hong Kong experience with the Vietnamese boat people demonstrates.

Mrs Sadako Ogata's appointment would be good for the UNHCR, good for its parent, good for refugees, good for Japan and good for women

At the same time, and for reasons which deserve some sympathy, those governments which have traditionally been a haven for so many are putting up the barriers. They are also withholding funding. The UNHCR itself reckons it needs another $500m to do its job properly. It has already this year had its operating budget cut by 11 per cent.

Mr Stoltenberg had begun a series of administrative reforms, with the hearty approval of the principal donor, the United States, and these, it is reckoned, should continue. Other main benefactors are Japan and, as a group, the Nordic countries. The US is content to keep the deputy's position (convention has it that a permanent member of the Security Council should not commandeer the chief positions at individual agencies). An additional financial commitment from Japan, to be cemented by the appointment of a Japanese, has obvious attractions.

The Nordic claim, by the same token, is not frivolous, and Norway itself has just doubled its contributions to UNHCR which in part explains why Mr Tom Erik Vraalsen, who is not an acquaintance, is on most short lists. Both he and Mr Giorgio Giacomelli, the Italian commissioner general of the UN Relief and Works Agency (UNRWA), bring impressive credentials to the lists.

But it would be particularly good for Japan to be seen to be contributing top quality people to the international institutions. It is an old, but valid, complaint that the Japanese have tended not to put their men and women where their money has gone. The best and brightest civil servants tend to stay at home and, when they do not, there can be trouble.

Thus Mrs Ogata's cause is not helped by the controversy surrounding the performance of Mr Hiroshi Nakajima, for the past two years director of the World Health Organisation (WHO). He seems to have surrounded himself with a clique of rather inexperienced countrymen, to the point that the Japanese government even sent a seasoned diplomat to Geneva to be his "minder". He also seems arbitrarily to have taken against some of the WHO's best known executives. One, Dr Jonathan Mann, head of the Aids programme, resigned earlier this year. At least it can be said of Mrs Ogata that she moves as easily in international circles as she does in domestic ones.

Only two jobs in the UN hierarchy, the secretary general's and the UNHCR position, are subject to ratification by the General Assembly, which goes into recess this week. Mr Javier Pérez de Cuellar, the secretary general, tried to short circuit the process by pushing the cause of his long time assistant, Mr Virendra Dayal from India, but was told, in no uncertain terms, by the leading donor countries that this was not acceptable. Nasty charges of cronyism, against the secretary general, and racism, against those opposing his nominee, were bandied about, but Mr Dayal's name was withdrawn.

But Mr Pérez de Cuellar has his pride, too, and may well prefer to hand-pick someone, rather than pass on to the General Assembly the consensus choice of the most powerful countries. Among his preferred private choices is said to be Mr Martti Ahtisaari, of Finland, who has served as UN representative in Namibia but who is also believed to have an eye on the secretary general's job.

Whatever the outcome, Mr Pérez de Cuellar ought to bear in mind that all is not well among the UN's 30 odd agencies. The recent experiences of the United Nations Scientific and Cultural Organisation (Unesco), the Food and Agriculture Organisation (FAO) and now WHO can give international bureaucracy a bad name and rapidly tarnish the lustre that the UN itself has acquired over the past year.

It is also worth pointing out that no woman has yet been put in charge of one of the UN's top agencies. It may be that Mrs Gro Harlem Brundlandt, the Norwegian prime minister, will end up as the next secretary general after a Nordic cross-country competition. But, for an organisation which has sponsored International Women's Year, the institutional record remains disappointing. The chance to rectify this omission is patent.

In sum, the UNHCR position matters for many reasons. If Mrs Ogata does not land it, then at least it is to be hoped that someone of her quality does.

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Former east German prime minister joins list of politicians widely viewed as guilty until proved innocent

De Maizière quits party post over Stasi claims

By David Goodhart in Bonn

MR LOTHAR DE MAIZIERE, former east German prime minister and a leading figure in the process of German reunification, resigned as vice-chairman of the Christian Democratic party after allegations that he had worked for the "Stasi" secret police.

Mr de Maizière, who had survived two previous bouts of suspicion in January and March, continued to profess his "clean conscience" but appears to have been persuaded to step down by Mr Wolfgang Schäuble, the interior minister, and Chancellor Helmut Kohl.

Although he would not stand for office in Mr Kohl's new government, Mr de Maizière said he would continue as a Christian Democrat deputy and attempt to clear his name.

But he is far more likely to join the ever-lengthening list of leading east German politicians whose political careers have been ended by proof, or mere suspicion, that they co-operated more than strictly necessary with the Stasi.

Mr Schäuble conceded yesterday that further examination of the Stasi files was unlikely to provide greater clarity. Mr de Maizière admits that as a lawyer in the former East Germany he necessarily had some contact with the Stasi. But he denies the allegation that under the cover-name Czerny he knowingly reported the activities of dissidents.

Mr Schaüble said yesterday there were some indications but no "compelling proof" that Mr de Maizière had operated as an active Stasi agent.

His case underlines that former East German politicians are widely viewed as being guilty until proved innocent. Previous politicians dispatched by Stasi rumours include Mr Ibrahim Böhme, a co-founder of the east German Social Democrats, and Mr Martin Kirchner, general secretary of the East German Christian Democrats.

The long shadow of the Stasi means that east Germany's past cannot be swept away by formal unification with west Germany. Workers in east Germany continue to complain that nearly 90 per cent of all company bosses remain in office despite the political revolution.

Mr de Maizière himself said earlier this year that it would take a school generation for east Germany to deal with its past.

● Leaders of Germany's opposition Social Democrats (SPD), anxious to put their defeat in this month's general election behind them, nominated Mr Björn Engholm, the Schleswig-Holstein state premier, as their new leader yesterday

Lothar de Maizière departs, with a "clean conscience"

Gatt chief tries to rescue Uruguay Round

By William Dullforce in Geneva

THE Uruguay Round of trade talks, which broke down at the ministerial meeting in Brussels on December 7, will resume in Geneva on January 15.

Mr Arthur Dunkel, the director-general of the General Agreement on Tariffs and Trade, has called a meeting on that date of heads of delegations to Gatt.

Meanwhile Mr Dunkel, in the role of troubleshooter allotted to him by the trade ministers, will shuttle between capitals exploring the prospects for overcoming the differences which led to failure in Brussels.

Resurrection of the four-year trade talks depends primarily on the European Community improving its offer on agricultural reform and striking a deal with the US and the farm-exporting countries in the Cairns Group, which are led by Australia.

Diplomats in Geneva, therefore, noted with interest the leaders' instructions to the EC Commission at the end of their weekend meeting in Rome to secure a resumption of the talks and to reach a "balanced" agreement in the shortest time.

The outburst by Mr Jacques Delors, president of the EC Commission, that it was "not up to the US to tell us how to organise our agricultural policy" was largely discounted as reflecting EC pride but not a refusal to move on farm reform.

German chancellor Helmut Kohl's rejection of the idea that he should assume special responsibility for resolving the impasse over farm reform was regarded as more negative.

It was also noted that the Commission had postponed until the first week of January its consideration of the reform of the EC Common Agricultural Policy.

Mr Ray MacSharry, the farm commissioner, had been due to present it in Brussels this week and this had been seen as a hopeful development. US officials refer to the statement by Mrs Carla Hills, US trade representative, at the end of the Brussels meeting, that the US would not return to the negotiating table until the EC had given a clear signal that it was ready to discuss farm trade in detail and until there was a basis for successfully concluding the talks.

Moreover, US officials add, the conflict over agriculture was only one of several fundamental disagreements. The US was still seeking, for example, firm commitments from developing countries as well as from industrialised nations, to liberalise trade in services.

Breakdown hits procurement pact, Page 3

US airlines press to use Heathrow airport

By Paul Betts in London and Nikki Tait in New York

THE BRITISH government came under increasing pressure from the US yesterday to allow its two biggest carriers, American Airlines and United Airlines, to operate transatlantic services into London's Heathrow airport.

This follows the announcement yesterday of an agreement by American Airlines to pay $445m for the US to London route rights of Trans World Airways. The deal comes on the heels of a similar agreement between United Airlines to acquire the Heathrow route rights of Pan American Airways in a $400m transaction.

However, London air traffic distribution rules prevent new airlines operating services into Heathrow, the world's busiest international airport. The rules are being reviewed by the Civil Aviation Authority, whose recommendations are due to be submitted to Mr Malcolm Rifkind, Britain's transport secretary, on January 15.

The US is expected to press the UK to hasten a decision on the Heathrow landing rules during a third round of negotiations in London at the end of this week. However, little progress has so far been made to renegotiate a new bilateral air service agreement between the two countries in the previous two rounds of talks last month.

Both American Airlines and United have warned that they would not complete their respective deals with TWA and Pan Am unless they are granted UK government approval to fly to Heathrow.

The two airlines, backed by the US government, have argued that the TWA and Pan Am routes should be automatically transferred to them because they were merely replacing the two other US carriers into Heathrow.

However, the transport department says the bilateral agreement does not allow such a transfer which, in any event, is prohibited by the London traffic distribution rules. The UK is also seeking concessions from the US to give British carriers greater access into the domestic US airline market.

Mr Rifkind has already made clear that the UK is unlikely to take any decision on changing the Heathrow rules until the CAA completes its review.

The London government is coming under pressure not only from the two biggest US carriers but from several other British and international carriers seeking to move into Heathrow.

The American-TWA deal is the latest of a frenetic bout of asset shuffling in the US airline industry. It reflects the efforts of the larger, financially-stronger carriers to expand international operations, while financially weak and heavily indebted carriers such as Pan Am and TWA have become forced sellers.

TWA is proposing to use the proceeds of its London routes sale to American to renew its own bid for Pan Am.

US carrier's TWA deal 'logical', Page 22

Delors anxious over Emu

Continued from Page 1

will be the first time that a European Council [summit] decision has been reversed while I have been Commission president", said Mr Delors, "and this at a time when some people want to elevate the role of that body".

By contrast, the UK "which has expressed reservations about Emu, at the highest level, has a better right to propose a counter-draft", he said.

Mr Major has said he will put forward treaty amendments early next month on evolutionary progress towards Emu, centred on financial markets adopting the hard Ecu as a common, and perhaps one day single, currency.

Mr Delors said: "If the others (Britain's 11 partners) were to propose a counter-draft, they would be in contradiction with themselves."

Because of the way his warning had been "misinterpreted" by much of the British press, Mr Delors said he feared that Mr Major would "have a good scapegoat tomorrow in the House of Commons, where he will be able to rally Conservatives unanimously in denouncing the 'real enemy' – Jacques Delors".

This would be in "la grande tradition Thatcherienne", he feared. "I didn't do this expressly, but there it is".

Nadir remains in custody after failing to produce £3.5m bail

By Raymond Hughes, Law Courts Correspondent, in London

MR Asil Nadir, chairman of Polly Peck International (PPI), was spending a third night in custody last night after failing to raise £3.5m ($6.7m) bail set by Bow Street magistrates court in London.

It is believed to be the largest amount of bail ever required by a British court.

Mr Nadir had appeared in the dock at Bow Street on 18 theft and false accounting charges amounting to £25m. Mrs Lorna Harris, prosecuting for the Serious Fraud Office, told the court that they were "sample charges."

After yesterday's hearing, Mr Peter Knight, his solicitor, said: "He will fight these charges most strenuously."

Mr Nadir had been arrested at Heathrow airport on Saturday and held in Holborn police station, London, over the weekend.

Bail was opposed by Mrs Harris but Sir David Hopkin, chief metropolitan magistrate, said he would grant it after being told by Mr Edward Jenkins, counsel for Mr Nadir, that arrangements had been made for a cash deposit of £2m and sureties totalling £1,450,000.

However Sir David required up to five sureties totalling £1.5m. Mr Jenkins asked if the sureties could be lodged at a police station but Sir David said they must be lodged at the court.

Sir David, told later that the bail requirements could not yet be met, said he would be prepared to listen to further applications on Mr Nadir's behalf today.

Mr Nadir had waited in a cell below the court while his lawyers tried to find sureties. Mr Jenkins told Sir David that the £2m cash could be put before the court by late tomorrow.

Sir David rejected as "totally impractical" a suggestion that in the meantime Mr Nadir should be released into the care of a partner in Vizards, his solicitors.

He accepted a £500,000 surety offered by Mr Nadir's former wife, Mrs Aysegul Nadir, which she said she could raise by selling jewellery and antiques.

He rejected a £450,000 surety offered by Mr Nadir's niece, Mrs Tijen Atun, who said she would have to sell her home. Mrs Harris said that Mrs Atun was unsuitable because she worked for a Nadir subsidiary company.

Sir David said a £250,000 surety offered by Mr Nejat Ugursal, a long-standing family friend of the Nadirs, was unsuitable but he could reapply today.

Sir David had earlier said he would remand Mr Nadir on conditional bail until January 28. The conditions were: That Mr Nadir lives and sleeps at his London home; that he reports to a police station every evening; that he surrenders all passports, British or otherwise, to the police; that he does not apply for any fresh travel documents, including air or rail tickets; that he does not interfere with or contact or communicate with any witnesses in the case, which, Sir David said, "means no third parties, no messages, no telephones, no letters – nothing, no contact whatsoever, third party or yourself"; and that he deposit £2m with his solicitors to the order of the chief clerk of Bow Street justices, the deposit to be irrevocable, and find up to five sureties totalling £1.5m.

Mr Nadir is accused of 14 offences of theft and four of false accounting dating between June 10 1988 and September 20 1990. Eight of the theft charges refer to a total of £20.25m belonging to PPI, the other six to a total of £21.75m belonging to Unipac Packaging Industries. Unipac is a cardboard box manufacturing subsidiary of PPI with plants in Cyprus and Turkey.

The SFO said later that some of the charges were alternatives and that the total sum covered by them was £25m.

Agreement to outlaw laundering of money in Community

By Lucy Kellaway in Brussels

EUROPEAN FINANCE ministers yesterday agreed to make money laundering a criminal offence accross the Community, in an attempt to combat the estimated $120bn a year business in processing drug money.

Sir Leon Brittan, the EC commissioner responsible for the financial sector, said that the directive would prevent individuals from "salting away ill-gotten gains", and would toughen the regulatory structure in member states.

"The honesty and integrity of European financial markets are not negotiable ... This directive shows that the internal market in financial services will be liberal, but not open to abuse".

The agreement will oblige banks to discover the identity of any customer carrying out transactions involving more than Ecu15,000 ($20,400).

Banking employees would then be obliged to report all suspicious deals to the authorities.

This suspicion-based approach differs from that in the US, where it is there is compulsory to report deals of more than $10,000. The Commission argues that its system will be more flexible and more effective.

Member states had previously objected to the directive on the grounds that criminal law falls outside the scope of Community action.

Yesterday's agreement in principle will bypass Community institutions by taking the unusual form of a declaration between governments to change their criminal law. Formal agreement is expected soon.

The directive is expected to involve changes in the law in most member states, even in those in which money laundering is already illegal. In about half the EC countries anti-money laundering laws are in place, while others are introducing such laws.

In the UK, which was one of the first countries to bring in money laundering laws, legislation will have to be altered to introduce an obligation placed on the banking employees to provide information on suspicious dealings.

Mr Francis Maude, UK Treasury minister, said he was "delighted that we have agreed to make life more difficult for drug traffickers."

Sir Leon said the directive went beyond recent recommendations by the Group of Seven main industrialised countries. He added that the Commission would start forming links with east European countries to help them toughen their markets against money laundering.

The Commission had originally wanted the proposal to apply to all kinds of organised crime. However, yesterday's directive will apply only to drugs money, although individual countries will be able to broaden to make the scope broader if they wish.

THE LEX COLUMN

Bashful bankers play for time

As break-ups between merger partners go, yesterday's announcement from Midland and the Hongkong Bank was remarkably cordial. It should astonish nobody if the show is back on the road before 1991 is out. Not only do they probably still need each other; in today's depressed banking environment, it may be that nobody else will have them. It would be easy enough in theory for someone to buy Hongkong's 14.8 per cent of Midland plus the 10 per cent held by the Kuwaitis and bid for the whole thing. But quite apart from the small matter of the Bank of England, the Americans and the Japanese probably have neither the balance sheet strength nor the strategic inclination; the Germans are up to their boots in eastern Europe; the Dutch and the Swedes are either merging with each other or with insurers; and the French banks are handicapped by being state-owned.

The Hongkong Bank is still showing a £150m loss on its holding in the UK clearer, something it can only justify if its long courtship of Midland ends happily. Not only is it now three years closer to the fateful date of 1997; but its attempts at organic growth overseas, whether in Australia or via Marine Midland in the US or through James Capel, are all spouting red ink. As for Midland, it has a £50bn loan-book from which it may make no profits at all this year and perhaps no more than £200m-odd in 1991, at a time when it still badly needs retained earnings to bolster its balance sheet. This is no basis for an independent future.

Hence the added significance of Hongkong and Shanghai's reorganisation around a UK-registered but non-bank holding company. To compare this with Jardine Matheson's move to Bermuda is misleading, because the HongKong Bank will stay very firmly in the Crown Colony. But the new UK holding company could end up owning Midland, which might do the trick of satisfying the Bank of England.

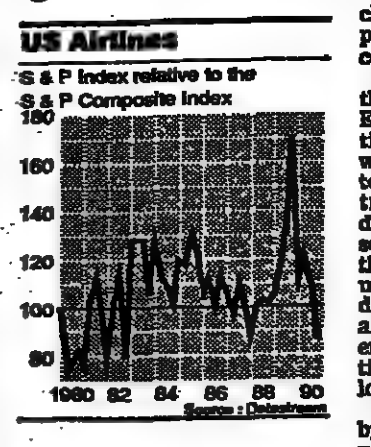
Markets

The London markets are having some difficulty in reading the government's game on interest rates. The voice of industry becomes ever more anguished and the deadline for mortgage rate reductions comes ever closer. But the official line remains obdurate; rates can only come down when sterling permits. This might represent nothing more than loyal adherence to ERM rules. The markets, for which nothing is ever that simple, prefer to see this outburst of Europeanism as a mere ploy to talk sterling up and make room for rate cuts early next year. Thus, whereas interest rates have recovered sharply in the meantime – three month money is actually above 14 per cent – sterling remains stuck at DM2.87.

Conceivably, the government has another motive for playing tough. For some time, the worry has been that UK industry might recover from recession only to be walloped a second time as the discipline of the ERM took effect. It now seems not only that the recession may be longer and deeper than expected but that the ERM effect is quicker in arriving. Taking the hard line on sterling might therefore accelerate matters and allow two hits for the price of one.

If so, all the better for sterling and the gilt market. The question-mark is, rather, over equities. If this were a conventional recession the market could be trusted to have taken its measure by this late stage. What it may not have bargained for is the possibility that, as in 1980-81, the slump in demand is to be compounded by a punitively high exchange rate; and that – unlike last time – the pressure will not be relieved by depreciation thereafter.

Airlines



American Airlines' rush to match United Airlines in gaining access to London Heathrow suggests the high altitude horse-trading is just beginning. Its proposed $455m deal with TWA increases pressure on the UK government to sort out the troublesome question of Heathrow landing slots. It also makes the overdue rationalisation of the US industry a little clearer. But the international picture remains thoroughly confused.

In return for a solution to the wider question of access to European airports by international carriers, concessions will have to be made on access to the US. Whether the US transport department can deliver substantial changes seems doubtful for now. The threat of labour unrest makes uncertain even the modest demand that foreigners be allowed ownership of US carriers. The greater prize of domestic US transfer rights still looks like pie in the sky.

For British Airways the lobbying is more than usually significant. The probable disappearance of the two biggest transatlantic fare discounters – Pan Am and TWA – could help, provided BA does not lose too much market share to their financially stronger replacements. It can renew its search for a US partner, with North-West emerging as a favourite. But it also knows that if American and United do win Heathrow slots, it will no longer be possible to shut out rivals such as Virgin and Cathay Pacific.

Shanks/Rechem

Shanks & McEwan's record is impeccable in a growth industry which has had more than its share of casualties. Earnings have grown at a steady 20 per cent per annum, the company has harboured its equity and technically it is seen as the Rolls-Royce of a business often dogged by controversy. Nevertheless, the benefits to Rechem of the merger with its larger competitor are more obvious.

Rechem's profit record has been more volatile and, although its margins are much better, it is a riskier business. Any company which depends on just two plants in the hazardous waste industry must be vulnerable to some sudden and nasty surprise. Linking with Shanks gives Rechem a much broader base and, even after yesterday's 8 per cent fall in Shanks's share price, an exit multiple of 20 times earnings is generous in today's climate.

Unlike Severn Trent in its abortive bid for Caird, Shanks has had the sense to insist on a friendly deal. This reduces the risk of some horrific environmental liability going undetected. Nevertheless, it is increasing its equity capital by two thirds; and a prospective multiple of 15½ times next year's earnings still presumes this is going to be a merger made in heaven.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	11	52	Berlin	C	-1	30	Caracas	C	26	79	Faro	R	11	52	Islamabad	R	18	[illegible]
Algiers	F	15	61	Biarritz	F	4	39	Casablanca	C	16	61	Florence	S	8	46	Istanbul	F	9	48
Amsterdam	C	0	32	Bombay	S	28	82	Chicago	–	–	–	Frankfurt	S	2	36	Jakarta	R	32	90
Athens	F	16	61	Bordeaux	[illegible]	0	32	Cologne	F	2	36	Geneva	C	-1	30	Jersey	S	3	37
Bahrain	–	–	–	Boulogne	C	1	34	Copenhagen	F	2	36	Gibraltar	R	13	55	Johannesburg	S	26	79
Bangkok	F	34	93	Brussels	C	1	34	Corfu	F	13	55	Glasgow	C	4	39	Lima	F	22	72
Barcelona	F	8	46	Budapest	C	3	37	Dallas	C	11	52	Helsinki	C	0	32	Lisbon	S	9	48
Beirut	–	–	–	Buenos Aires	F	29	84	Dublin	[illegible]	3	37	Hong Kong	S	22	72	London	[illegible]	3	37
Belfast	C	4	39	Cairo	F	21	[illegible]	Dubrovnik	R	4	39	Innsbruck	S	-2	28	Los Angeles	S	8	46
Belgrade	C	2	36	Cape Town	C	20	68	Edinburgh	C	4	39	Inverness	C	7	45	Luxembourg	Sn	-1	30

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	16	61	Milan	S	3	37	Nicosia	S	18	[illegible]	Salzburg	F	-1	30	Tenerife	F	[illegible]	[illegible]
Madrid	F	7	45	Montreal	S	-8	18	Oporto	S	16	[illegible]	San Francisco	–	–	–	Tokyo	F	[illegible]	[illegible]
Majorca	S	12	54	Moscow	C	-5	23	Oslo	Fg	-1	30	Seoul	Sn	1	34	Toronto	C	[illegible]	[illegible]
Malaga	C	13	55	Munich	C	[illegible]	[illegible]	Paris	S	2	36	Singapore	F	30	86	Tunis	F	14	[illegible]
Malta	S	16	61	Nairobi	F	23	73	Peking	S	7	45	Stockholm	Dr	1	34	Valencia	F	[illegible]	[illegible]
Manchester	C	2	36	Naples	S	11	52	Prague	[illegible]	-2	28	Strasbourg	C	1	34	Venice	S	6	43
Manila	R	29	84	Nassau	F	25	75	Reykjavik	F	-1	30	Sydney	S	25	77	Vienna	Sn	-1	30
Melbourne	C	29	84	New Delhi	S	[illegible]	[illegible]	Rhodes	S	17	63	Taipei	F	22	72	Warsaw	C	-2	28
Mexico City	F	21	79	New York	S	4	39	Rio de Janeiro	[illegible]	[illegible]	81	Tangier	F	12	54	Washington	F	3	37
Miami	F	[illegible]	[illegible]	Nice	S	8	46	Rome	S	16	[illegible]	Tel Aviv	S	20	68	Zurich	[illegible]	-1	30

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Gestetner profits jump 44% to £52m

Gestetner, the UK distributor of office equipment and photographic products, has boosted its full-year profits by 44 per cent to £52m ($101m). Turnover rose 60 per cent largely due to inclusion for seven months of the Nashua office supply operations acquired in February for £90.6m. Page 26

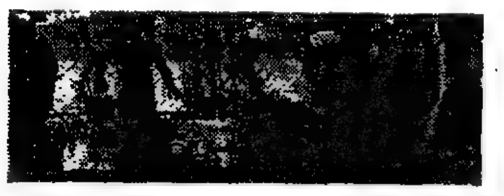
Daimler gives breath of life

The D-mark commercial paper market, a relatively underdeveloped German money market, will receive a breath of new life with a new DM 500m facility from Daimler Benz, Germany's largest industrial company. Development of German CPs has been hindered by cumbersome regulations and a stock turnover levy, but recent moves have been aimed at enhancing the market's appeal. The mandate for the Daimler programme goes to Deutsche Bank, Germany's largest bank. Page 25

Jannock backs out of Tace deal

The sale by Jock Mackenzie of his family's 21 per cent stake in Tace, UK maker of pollution control equipment, has faltered. Mackenzie revealed four weeks ago that Jannock Investments, the Jersey-based vehicle of Canadian financier David Mooney, was to pay £5.9m ($11.4m) for the shareholding. Jannock had planned to pay a premium of 99p, or a total of 285p, for each Tace share but has now decided not to proceed with the purchase. Yesterday, Tace's share price fell a further 5p to 140p. Page 26

Fishing for a compromise



European Community fisheries ministers will sit down tomorrow to decide rules for fishing and allowable catches in the Community next year. But it is unlikely that what the ministers agree will either please the fishermen or go very far towards dealing with the basic issue confronting them: the alarming decline in stocks of fish in the North Sea. As Willie Hay, president of the Scottish Fishermen's Federation, says: "It's very difficult to stop fishermen catching fish." James Buxton reports. Page 28

Really Useful buy-out

Andrew Lloyd Webber, composer of hit musicals such as Phantom of the Opera and Cats, is to take full control of the Really Useful Group, his former stock market vehicle. He will buy the 6.7 per cent stake formerly owned by Australian entrepreneur, Robert Holmes à Court, who died suddenly in September. Mr Lloyd Webber already controls 92.7 per cent of the group and under Takeover Code rules will be able to mop up the final 0.58 per cent compulsorily. Page 26

New Zealand leap-frog

New Zealand this week took over from Japan as the world's worst performing stock market in local currency terms. Shares in Brierley Investments, which accounts for 12 per cent of the country's market, fell by 18 per cent while there was a 4 per cent drop at Fletcher Challenge, making up some 26 per cent of the market. In Tokyo, however, equities extended their recovery helped by the easing of the US Fed Funds and domestic calls for lower short-term rates to help sustain economic growth. William Cochrane reports. Back Page

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Chief price changes yesterday

FRANKFURT (DM)				**Falls**			
Falls				Canal+	653	−	27
BMW	415	−	10	CGIP	644	−	35
Daimler-Benz	590.5	−	23.5	Chargeurs	667	−	48
Deutsche Bank	627	−	22	Havas	445	−	17.9
Holzmann(P)	1195	−	55	Union Immob	565	−	29
Mercedes Hld	469	−	30	**TOKYO (Yen)**			
Zanders Fein	210	−	10	**Rises**			
NEW YORK ($)				Mito Seiko	1120	+	90
Rises				OSG	1350	+	90
Amer Express	21⅛	+	¾	Tokyo Sokuhan	1750	+	150
Amgen	61⅜	+	2½	**Falls**			
Chrysler	12⅞	+	⅜	Kinsho-Mata	521	−	40
Panam	1½	+	¼	NTN	650	−	60
Falls				Shin Nikkei	2430	−	280
Gen Electric	55⅜	−	¼				
Mead	25⅞	−	¼				
PARIS (FFr)							
Rises							
Epeda-Bert	907	+	35				
LONDON (Pence)							
Rises				Caird	42	−	5
CourtneyPope	30	+	9	Danbury	30	−	8
Elect. Data	79	+	8	FKI	46	−	4
ERF	123	+	15	Hanson	193¾	−	5¼
First Tech.	55	+	5	Lloyds Bank	286	−	11
Gestetner	207	+	8	MTM	131	−	16
Ramsden(H)	93	+	5	NatWest Bank	289	−	19
Falls				Petrocon	31	−	5
BBA	112½	−	7½	Royal Insce	405	−	12
BPB Inds	173	−	9	TIP Europe	58	−	6
Barclays Bank	349	−	13				

Freeport in $750m sale to reduce debt

By Alan Friedman in New York

FREEPORT-MCMORAN, the New Orleans-based energy and natural resources group, is to sell at least $750m of assets by mid-1991 to reduce the size of its $1.6bn debt burden.

The asset disposals, to include $600m worth of US oil and gas properties, will bring the company's total proceeds from asset sales to $2.25bn. The company has already generated $1.5bn from a restructuring and asset sale programme announced in November 1989.

Mr James Moffett, chairman of Freeport-McMoRan, said he was confident that buyers would soon be found for the US oil and gas properties. Mr Moffett said the latest asset disposal plan would allow the company to concentrate on developing two important discoveries – the Main Pass sulphur deposit in the Gulf of Mexico and the Grasberg cooper and gold field in Irian Jaya, Indonesia. He said the company's $1.6bn of debt represented about 1.6 times its equity base, but stressed that a more relevant ratio was the debt-to-assets measure, where debt accounts for one third of assets.

Besides the oil and gas disposals, the company will also raise cash by reducing from 91.1 per cent to 80 per cent the stake held by a subsidiary in the Freeport Indonesia gold and silver mining operation. This reduction is a requirement of the new contract currently being negotiated with the government of Indonesia.

Mr Moffett said yesterday that, in addition to its asset sales, the company is likely to call $215m worth of convertible debentures next year that fall due in 2013.

The Freeport McMoRan chief said the asset disposal programme would allow the company to focus on three core businesses for future growth; these are the sulphur/phosphate fertiliser agricultural minerals operation, the copper and gold business in Indonesia and the oil and gas exploration and development business.

The company recorded a $132.9m net profit last year on $1.96bn of revenues. Analysts expect its 1990 results to show net earnings of around $110m on $1.65bn of revenues. Copper activities have been the best earner. The stock of Freeport Copper, a majority-controlled and publicly-quoted subsidiary, was one of the best performers on Wall Street earlier this autumn.

Fertilisers are also doing well; the Iraqi invasion of Kuwait disrupted shipments of raw materials from these two countries, giving Freeport a cost advantage over competitors that buy their supplies. On Wall Street, Freeport-McMoRan's share price was marked ⅛ lower yesterday morning, to $34⅝. The price of stock in the company's Freeport Copper subsidiary was marked ⅛ higher at $14⅛.

Busy line in telecoms for BT and IBM

Guy de Jonquières and Alan Cane look at plans for a global service

For much of the past decade, British Telecom and International Business Machines have pursued an on-off courtship. Their last attempt to tie the knot, six years ago, was thwarted just as they stepped up the aisle. Now they are hoping to make it to the altar the second time around.

The two companies are deep in negotiation on a partnership to supply a full range of advanced communications and information services to business customers worldwide. Their ultimate goal is to offer a global "one-stop shop", able to handle everything from simple telephone calls to the management of entire computer operations.

That is a much bolder objective than the attempt to set up a specialised data transmission network in Britain in 1984 – code-named Jove – which was blocked by the UK government on competition grounds.

Both companies hope the latest project will help them to achieve cherished long-term priorities. BT is anxious to expand outside the UK market, its main source of revenues, where it is likely to face increasingly strong competition in the next few years. IBM, for its part, has been eager to diversify into telecommunications and to deepen its presence in Europe. The project offers potentially rich rewards at a time when deregulation is shaking up telecommunications worldwide. Business communications, particularly across borders, have long provided telecoms monopolies with the fattest profits.

However, the project faces complex regulatory, political and management hurdles. Though the UK is not expected to object this time, the plan could invite scrutiny by competition authorities in Brussels and objections from the European telecommunications and computer industries.

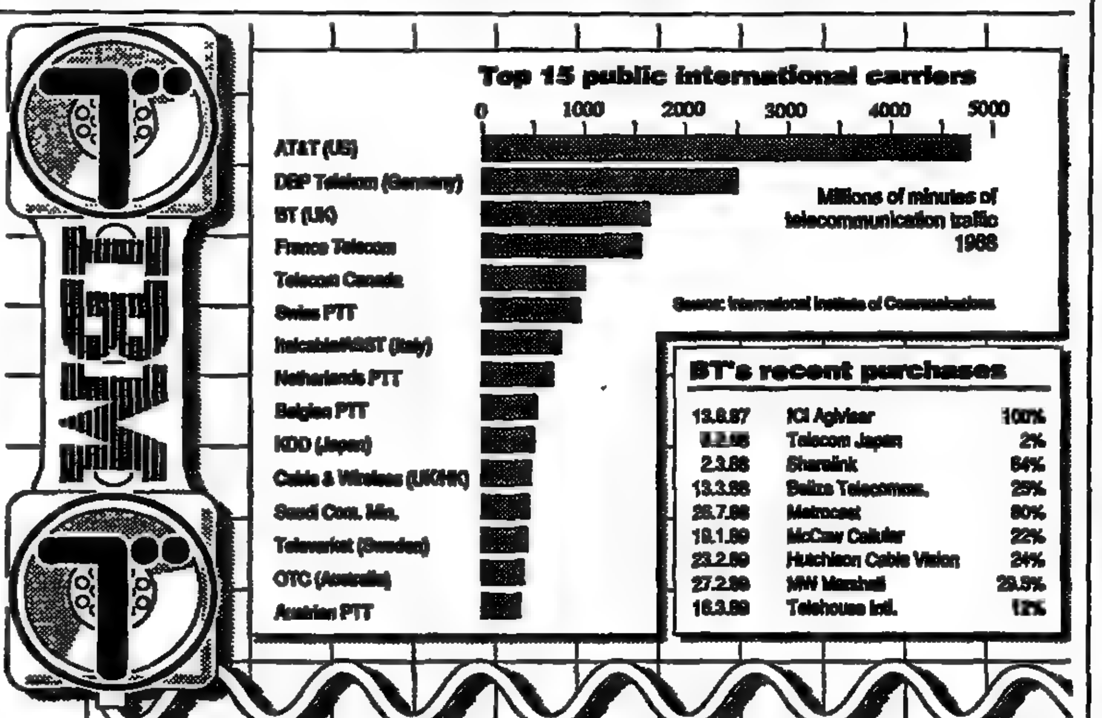
In an effort to minimise possible anti-trust problems, BT and IBM plan to structure their partnership not as a joint venture – as was the case with Jove – but as a more informal "trading relationship".

BT would take over the management of IBM's worldwide internal communications network and combine it with Tymnet, the international data network which it acquired last year. IBM would aim to supply most of the services run on the network and much of the equipment attached to it.

Initially, services would probably be limited to data transmission, such as electronic mail and electronic data interchange (EDI) – an emerging technology for linking computerised accounting, billing and ordering systems.

The market for data transmission is already open to competition in the US and is due to be liberalised in most of the European Community by 1993.

However, the attitudes of European regulatory authorities could be critically influenced by the technical standards used in the planned network. One reason the UK government objected to Jove was that it would have used IBM's proprietary networking standard.



BT's recent purchases

13.8.87	ICI Agivisor	100%
8.2.88	Telecom Japan	2%
2.3.88	Sharelink	64%
13.3.88	Belize Telecomms.	25%
26.7.88	Metrocast	80%
18.1.89	McCaw Cellular	22%
23.2.89	Hutchison Cable Vision	24%
27.2.89	MW Marshall	29.9%
16.3.89	Telehouse Intl.	12%

The government feared that would have made it harder to connect the equipment of rival suppliers, many of which worry that IBM could extend its dominance in computing into the telecommunications industry.

IBM has made no secret of its desire to involve itself in voice telephony as well as data communications. Though the latter is growing rapidly, voice traffic still accounts for more than 90 per cent of all telecommunications revenues worldwide.

The US telephony market is completely deregulated. But BT and IBM would need to tread cautiously in continental Europe. While they might be able to carry some of their customers' in-house voice traffic across borders, any attempt to compete for business on the open market would run into serious obstacles.

In every European country except Britain, public voice services remain national monopolies. Most European telephone companies strongly oppose liberalisation in this area on the grounds that it would be inconsistent with running a universal telephone service.

None the less, several countries, including the US, Britain, Sweden and Australia are considering allowing the re-sale to third parties of capacity on international telecommunications circuits. Such a move could eventually weaken the monopolies' grip.

BT and IBM appear to be banking on the belief that large customers will be increasingly prepared to sub-contract the management of their worldwide telecommunications operations – as many have already done with computers.

It is still unclear, however, how the two companies would run their partnership – and how far their interests coincide. IBM has extensive worldwide marketing experience and a powerful international sales force. BT, by contrast, is heavily UK-based and has an indifferent marketing reputation.

Some observers believe that could lead to an unbalanced partnership which would chiefly benefit IBM through improved access to BT's customers in the UK.

It is also uncertain how successfully the two companies would be able to bridge the differences between their corporate cultures and management style.

Previous efforts by both companies to diversify outside their traditional businesses have proved disappointing. IBM's purchase several years ago of Rolm, a US telecommunications equipment maker, proved a costly failure, as did BT's acquisition of Mitel, a Canadian telephone exchange manufacturer.

These ventures reflected a widely-held assumption that "convergence" of computing and communications technologies required companies in both industries to forge new types of alliances.

BT and IBM clearly think that, for all the risks, the idea still has strong appeal. The question is whether it can be made to work.

Some industry analysts, such as Stephen Owen of stockbrokers James Capel, remain to be convinced: "If convergence proves a success, how can BT and IBM avoid ending up competing against each other?" he says. "And if it doesn't succeed, alliances could turn out to be a waste of time."

AT&T and Zenith team up to pursue HDTV standard

By Louise Kehoe in San Francisco

AMERICAN TELEPHONE and Telegraph and Zenith Electronics have teamed up in an attempt to establish a US presence in the emerging market for high definition television equipment. The two companies have jointly developed an all-digital HDTV system that will be ready for testing by the US Federal Communications Commission next year.

Zenith and AT&T are competing with four other proposed HDTV systems to become the standard technology for HDTV in the US.

The companies yesterday announced a series of technology breakthoughs which they claim will significantly boost the performance of their earlier partially digital system.

The new system is designed to eliminate transmission noise, making it possible to broadcast HDTV signals as clear as those transmitted over cable TV systems or via satellite or fiber optic cables.

Zenith is the sole remaining US-owned television manufacturer. Its original HDTV system was one of more than 20 vying to be selected as the US HDTV broadcast standard.

Only five HDTV systems are now left in the race.

They are scheduled to be tested beginning in 1991 by Cable Television Laboratories, the independent Advanced Television Testing Center, and the Canadian Communications Research Center.

One system will then be adopted as a US standard by the Federal Communications Commission.

Two of the other proposals – from the Advanced Television Research Consortium which includes Philips and Thomson, and from General Instruments, aimed at cable television systems, are also all-digital.

Other proposals include an analog system developed by the Advanced Television Research Consortium, another from Japan's NHK, and a system developed at the Massachusetts Institute of Technology.

The Commission is expected to select a standard for HDTV broadcasts in the second quarter of 1993.

Shanks buys Rechem in share deal

By Richard Gourlay in London

SHANKS & McEwan, the UK-based waste management group, yesterday announced the terms of an agreed takeover of Rechem which values the British hazardous waste disposal company at £171.6m ($331m).

The all-share offer involves the issue of one new Shanks share for two Rechem shares, valuing each share at 645.5p. Rechem closed yesterday up 6p at 580p while Shanks was 105p lower at 1188p.

The merged group would supply a range of waste management services from disposal in landfill sites, Shanks' traditional business from which it has long wanted to diversify, and toxic waste treatment using Rechem's two incinerators.

Analysts yesterday said Shanks was having to pay a high price for its move into the more sophisticated area of waste disposal but that given likely delays in receiving planning permission it was the quickest route into a highly profitable sector.

Mr Peter Runciman, Shanks chairman, called the merger "a superb opportunity for two companies with significant market presence and expertise in the UK waste management industry to combine their strengths."

Mr Richard Biffa, the chairman of Rechem who helped found it in 1985 and subsequently tied up with Hanson, the UK conglomerate, was equally effusive. The deal nets him and his co-founder, Mr Malcolm Lee, the managing director, more than £10m in addition to shares in Shanks that will make them the largest shareholders after Hanson.

Rechem and Shanks will be run as two separate divisions, but Mr Lee and Mr Biffa will be invited on to the board of Shanks and Mr Roger Hewitt, Shanks managing director, and Mr Runciman will join the Rechem board.

Hoare Govett is underwriting a partial cash alternative to the all-share deal up to 30 per cent of the offer consideration. Mr Biffa and Mr Lee are taking up their cash allocation.

The two founders have also undertaken not to sell before January 1992 the 2.8m shares, representing 7.6 per cent of the enlarged group's issued share capital, that they will receive as partial consideration under the offer.

Hoare Govett has already received irrevocable undertakings for 42 per cent of the Rechem shares which are held by the Rechem directors.

Rechem and Shanks operate at the top end of their respective sectors but analysts have questioned whether there is an obvious overlap in the businesses.

Lex, Page 16; Details, Page 18

Banco Central bids for control of sugar group

By Tom Burns in Madrid

BANCO CENTRAL, the large Spanish bank, yesterday launched a bid for outright control of Azucarera Espanola, Spain's second largest sugar refiner.

Banco Central, which owns 24.9 per cent of the capital, is offering five of its own shares for every four Azucarera shares.

It is understood that the Anglo-French holding company – which groups France's Generale Sucrière and Sucré-Union, and the UK's Tate & Lyle and ED & F Man, and which holds 21 per cent of the capital – will reject the offer.

Excluding this stake and Banco Central's existing holding, the offer for the remaining 54 per cent is worth Pta21bn ($223m), based on Azucarera's share price when the shares were suspended yesterday.

Analysts say the bank's stock in the sugar company could be more than 30 per cent through indirect holdings. Under Spain's stock market rules a company which holds more than 25 per cent equity in a company is obliged to make a public share offering for outright control, and this rule could have inspired the bid to end speculation.

The Anglo-French company has stated that its Azucarera stake represents a strategic long-term investment that suits the interests of all members of the group. The European Community has established a quota for Spanish refiners that slightly exceeds domestic demand and intervention prices guaranteed by the EC are above the EC average.

The two French companies have merged their marketing divisions as Eurosucres, handling approximately a million tonnes a year, to strengthen their European ambitions. Tate & Lyle has a separate foothold in the Iberian peninsula through its control of the Portuguese sugar cane refiner Alcantara. For Man, connection with Azucarera, which has silos in southern Spain, aids its planned development of export trading to North Africa.

When trading in Azucarera was suspended yesterday, Central's share price stood at Pta4,670 against Azucarera's suspension price of Pta5,600. The sugar company's stock holders were being offered, in Banco Central paper, at Pta5,837.5 per share, which represented a modest premium of 4.24 per cent and compares badly with the sugar company's January price of Pta7,850.

Maxwell Communication debt rating downgraded

By Simon London in London

THE SENIOR debt of Maxwell Communication Corporation, the publishing group controlled by Mr Robert Maxwell, was yesterday downgraded to a rating indicating "a possibility of investment risk developing" by the London-based credit rating agency, IBCA.

The agency said it was downgrading the group's senior debt rating from the investment quality BBB- to BB, a level where it believed "speculative characteristics are present".

MCC's long-term debt currently amounts to £1.7bn ($3.3bn), although the company has said that continuing asset disposals should reduce this figure by $750m by the end of March 1991. The majority of this debt is under a $3bn syndicated bank facility arranged to finance the acquisition last year of Macmillan, the US publisher, and the Official Airline Guides. In the international bond market, MCC has Swiss franc, D-Mark and Ecu bonds outstanding.

IBCA said that continuing asset sales make clean operating figures and the ultimate financial structure of the company difficult to estimate.

It added that "additional major disposals are required to make significant inroads into debt reduction; timing of these is uncertain, and until achieved, debt servicing and repayment commitments will remain substantial".

In addition to its stated debt burden, MCC treats £45.7m of Swiss franc convertible bonds and £124.6m of dollar auction rate preferred stock as minority interests in its accounts. However, both instruments incur financing costs, and IBCA treats the Swiss franc convertibles as straight debt for its own calculations.

The ratings agency also noted that while £76.7m of provisions made in 1990 in respect of acquisitions will shelter future earnings from the cost of reorganisation, cash outflows will still arise.

On this basis, IBCA calculates that MCC's interest cover – the ratio of a company's cash flow to its interest payments – has fallen from 2.7 times in 1989 to 2 times in 1990.

US carrier's TWA deal 'logical'

By Nikki Tait in New York

NEWS that American Airlines plans to acquire the London route authorities of Trans-World Airlines, the heavily indebted carrier run by Mr Carl Icahn, for $445m was greeted yesterday by analysts as a logical and, in many respects, unsurprising move.

Together with proposals by United Airlines to buy transatlantic routes and other assets for $400m from Pan Am, another ailing US carrier, it would give the two leading US airlines valuable entry into Heathrow.

This is a prize they would be better placed to develop than either of the existing, financially troubled occupants and which would substantially augment the carriers' push to build up faster-growth international operations as the US domestic market flags.

"It makes a lot of sense," said Mr Ray Neidl, analyst with Dillon Read in New York yesterday. Mr Bob Crandall, chairman of American, was understandably pleased as he spoke to the press yesterday.

Included in the TWA deal are some route authorities which the airline does not use, together with TWA's slots and gates at Chicago's O'Hare Airport for which American is paying a further $70m. If, over the next year, these extra routes remain unused by TWA, they revert to American.

This means, according to American's calculations, a further 10 North Atlantic flights a day will be added immediately to its existing 22. It might then double the existing number of transatlantic flights as the "unused routs" element clocks in.

Yet again, the latest developments underline the fundamental divide occuring in the US airline industry as financially strong players – such as United, American and Delta – boost their operations at the expense of weaker carriers. The process has accelerated as the squeeze on airline profitability, following the recent hike in fuel prices, has turned the likes of Pan Am into forced sellers. For Pan Am, the need for cash is acute: last Friday, it was obliged to solicit yet more breathing space from two creditors, United Technologies and Airbus, over two $16m payments which had fallen due.

TWA may have a little more time but it has reported a $54.3m loss in the first nine months of 1990 and faces the prospect of having United as a potentially formidable competitor at Heathrow.

Despite Pan Am's cash requirements, Mr Icahn's proposal of marrying these two ailing companies is highly controversial. On Sunday night, the financier suggested TWA buy out Pan Am for $1.50 in cash and $1 nominal of preferred stock or promissory notes.

In response, Pan Am said it was studying the proposal, but it dismissed Mr Icahn's earlier offer of $1 cash plus $2 of preferred stock/promissory notes with little hesitation.

From an operating point of view analysts see benefits in linking these two airlines, although they class TWA as the bigger gainer. Post the American deal, TWA would be extremely skeletal, basically bringing in its St Louis hub, a small hub in Paris and some point-to-point, US-Europe route authorities.

Pan Am still has a Frankfurt hub, from which it has hoped to build up east European traffic and Caribbean/Latin American flights. Mr Icahn has also suggested he would like to acquire the Atlanta hub from Eastern Airlines, already in Chapter 11.

But the real minus is the debt position of both companies. TWA is reckoned to have debts (on balance sheet) of around $2.5bn and Pan Am, perhaps $1bn. And that combination, as one analyst put it, is "one hell of a problem".

UK water company payout beats expectations

By Clare Pearson in London

SOUTHERN WATER yesterday announced an 18 per cent increase in its interim dividend payment, joining the ranks of those UK water companies which have beaten market expectations.

The net payment of 5.9p per share compared with a notional figure of 5p for last year. The 5p was calculated on the basis that the company's capital structure had been in place before the flotation last year.

The announcement came as the company announced pretax profits for the half-year to end-September near the upper end of analysts' forecasts at £50.5m ($98m).

This was scored on turnover of £126.6m against £111.8m, an increase in line with an average 13.2 per cent increase in charges.

The pro-forma comparative profits figure was £42.6m. On the same basis, earnings per share rose to 28.9p against 23.4p.

Mr William Courtney, chairman, said: "We still have many improvements to implement and significant opportunities to exploit and I look forward to reporting a successful conclusion to this challenging year."

On capital investment, he said the company expected to spend £140m to £150m this year, up from £126m last year. Costs of carrying out the programme were turning out to be somewhat lower than earlier envisaged, owing to lower construction price inflation and the effects of the building slowdown.

However, he said he expected Southern to spend about £100m extra over the next five years to meet the European Community's directive on municipal wastewater, the final version of which is expected soon.

On the non-regulated businesses, Mr Courtenay said the five "enterprise" subsidiaries were achieving advances in profitability.

Their activities span laboratories, information technology, vehicle leasing and chartered surveying.

Hongkong Bank latest to join exodus

By John Elliott in Hong Kong

THE Hongkong and Shanghai Banking Corporation, announcing yesterday its plan to move the domicile of its incorporation from Hong Kong to London, becomes the most important member of the colony's corporate exodus since Jardine Matheson started the trend in 1984 by moving to Bermuda.

It is likely to spark a fresh wave of departures by companies trying to find ways of insuring against the uncertain future once the colony returns to Chinese sovereignty in 1997.

Many companies will feel that if the bank, as a pillar of the Hong Kong establishment, can go, then it has become respectable for them to do so. This could lead to moves by entrepreneurs such as Mr Li Ka-shing, head of the Cheung Kong and Hutchison Whampoa empire, who until now have deferred decisions.

But the shock will not be as great as in 1984, because Jardine made its announcement before Hong Kong had begun to come to terms with its post-1997 future. Now its business people know they need to act now to protect as much as they can of their companies and wealth from Communist influence and possible takeover.

Usually – as with Hongkong Bank's holdings in the US, Canada, the UK and the Middle East – these companies are putting their foreign assets beyond the reach of Peking.

They are also trying to ease the concerns of foreign partners which regard Hong Kong as a bad political risk. The bank said last night that it hoped its move would help both its credit ratings and its image on capital markets for long-term deals.

The move to London will bring it under UK company law. Disclosure law changes there linked to 1992 could mean that Hongkong Bank will have to disclose its inner reserves, which it has kept secret.

Mr Peter Wrangham, the bank's resident director in London, said that the change should instil greater confidence in the bank's depositors abroad. "People had been asking us what would happen after 1997 and it was difficult for us to answer," he said. Uncertainties about the bank's future had begun to affect the willingness of Europeans to place money with it, he said.

Since 1984 more than 60 companies have moved their domicile, most to Bermuda and the Cayman Islands. The Bermuda list includes three small banks – Dao Hang, Hongkong Commercial and First Pacific.

The total comes to 100 – a third of the companies on the Hong Kong stock exchange – if the foreign incorporation of new listings is included. Stock exchange officials expect the proportion to rise to at least a half within a year or two.

After Jardine's move, Sir Yue-kong Pao's Wharf group was the first of the colony's top names to leave, when it moved the domicile of its Lane Crawford retailing subsidiary to Bermuda seven months ago. Since then Jardine has started listings outside Hong Kong, and is trying to establish its primary listing and primary regulation in London.

Three years ago the bank did not dare to announce a move because of the blow it would have struck to the colony's confidence. That was a primary reason why it sought a new corporate identity abroad by courting the Midland.

Now Hong Kong's leading business executives appear to be coming to terms with the future, making it possible for the bank to act last night, and even to receive the government's blessing. The government argued that Hongkong Bank's move would increase international confidence in the bank and in turn the colony.

The bank stressed that the base, management and control of Hongkong Bank group would remain in the colony and that the colony's Commissioner for Banking would continue to be its primary regulator.

But it will be a surprise if the bank does not follow the Jardine line and try to move its regulation to London, preferring supervision by the Bank of England to a possibly Communist-influenced Hong Kong commissioner after 1997.

Piaggio and Daihatsu link to produce light vehicles

By Haig Simonian in Milan

PIAGGIO, the Italian industrial group best known for its Vespa motor scooters, has signed a joint venture with Daihatsu Motor of Japan to produce a range of 35,000 light utility vehicles a year, mainly for European markets.

The deal, involving an investment of about L150bn ($134m), will give Daihatsu its first indirect foothold in the European market, and allow Piaggio to expand its range of three and four-wheeled light vehicles, powered by two-stroke motorcycle engines, without having to develop a bigger engine of its own.

Piaggio, which will provide the chairman and chief executive for the new company, will own 51 per cent of the shares, with the remainder being held by Daihatsu. Annual sales of the new range are expected to reach about L350bn a year, with production beginning at the end of 1992. About 20,000 units will be sold by Piaggio and 15,000 by Daihatsu.

Mr Gustavo Denegri, Piaggio's chairman, said that the vehicle engines, to be developed from Daihatsu's Hijet minivan and pick-up range, would be imported from Japan.

However, other components would be bought locally, and final assembly would take place at Piaggio's plant near Pisa, so local content would amount to at least 80 per cent of the vehicle's value.

Production of the vehicle should help to protect the 6,000 jobs at Piaggio's vehicles subsidiary, where 400 employees are laid off. But Mr Denegri said that productivity would have to improve if the company, which will have vehicle sales of L1,070bn this year, was to remain competitive.

Norwegian arms maker seeks part-privatisation

By Karen Fossli in Oslo

NFT (Norskforsvarsteknologi), formed from the defunct Norwegian state-owned arms manufacturer Kongsberg Vaapenfabrikk (KV), is urging the government to sell part of its stake so that the company can diversify into civil aviation.

NFT is asking the state to reduce its stake from 100 per cent to 53 per cent so that the group can raise capital through the sale of shares to private investors. It also proposes to merge with Norsk Jetmotor, similarly formed from KV. Jetmotor is owned by the state, with a one-third stake; three Norwegian companies, with one third; and US-based Pratt & Whitney and France's Snecma, which own a third.

Merging with Norsk Jetmotor would give NFT a base for entering the civil aviation market. Norsk Jetmotor will consider NFT's advances at a board meeting next week.

NFT says the future of Norway's defence industry hinges on a restructuring.

This year Raufoss, another Norwegian supplier to the defence industry, was part-privatised and became listed on the Oslo stock exchange.

NFT earlier expressed a desire to merge with Raufoss, though Raufoss rejected the proposal. The company does not rule out further advances towards Raufoss, once NFT's request to the state is clarified. The company also envisages a listing on the Oslo exchange once part-privatised.

NFT has a staff of 2,900 and forecasts a turnover in 1991 of NKr1.9bn ($328m). If the state soon complies with NFT's request, the Storting, Norway's parliament, could vote on the part-privatisation during its spring session.

1st January 1991
We are there.

On the 1st January 1991, we are there. In reality, our shares have been quoted on ten stock markets throughout the world for several years, and are traded in London (SEAQ) and the United States (PORTAL). Our shareholders have benefited from the continual progress in our results for years.

Because we are in some of the world's most important industries - communication, energy, transport and allied services - we've decided our shares should have a name more representative of our performance. So on January 1st 1991, CGE will become Alcatel Alsthom.

ALCATEL ALSTHOM

Alcatel Alsthom. 54, rue La Boétie 75008 Paris, France

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, December 17, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	51.5049	34.6422	38.6562
Albania	(Lek)	10.0366	5.2084	3.5031	3.909
Algeria	(Dinar)	18.3706	9.5332	6.412	7.155
Andorra	(Fr Fr)	9.8075	5.0895	3.4232	3.8198
	(Sp Peseta)	183.05	94.9922	63.8917	71.295
Angola	(Kwanza)	58.3135	30.2612	20.3537	22.7121
Antigua	(E Carr $)	5.2205	2.7091	1.8221	2.0333
Argentina	(Austral)	9557.525	4959.8	3335.96	3722.5
Aruba	(Florin)	3.4610	1.796	1.208	1.348
Australia	(Aus $)	2.5225	1.309	0.8804	0.9824
Austria	(Schilling)	20.175	10.4696	7.0418	7.8578
Azores	(Port Escudo)	253.90	131.759	88.6212	98.8899
Bahamas	(Bahama $)	1.9270	1	0.6726	0.7505
Bahrain	(Dinar)	0.7270	0.3772	0.2537	0.2831
Balearic Is	(Sp Peseta)	183.05	94.9922	63.8917	71.295
Bangladesh	(Taka)	67.00	34.769	23.3856	26.0954
Barbados	(Barb $)	3.8888u	2.0113	1.3573	1.5146
Belgium	(Belg Fr)	59.25	30.7472	20.6806	23.0769
Belize	(B $)	3.8670	2.0067	1.3497	1.5061
Benin	(CFA Fr)	490.38	254.478	171.162	190.995
Bermuda	(Bermudian $)	1.9270	1	0.6726	0.7505
Bhutan	(Ngultrum)	34.80	18.0591	12.1465	13.554
Bolivia	(Boliviano)	6.4772	3.3612	2.2608	2.5227
Botswana	(Pula)	3.5625	1.8487	1.2434	1.3875
Brazil	(Cruzeiro)	292.025	151.544	101.928	113.739
Brunei	(Brunei $)	3.3155	1.7205	1.1572	1.2913
Bulgaria	(Lev)	5.3665	2.7848	1.8731	2.0901
Burkina Faso	(CFA Fr)	490.38	254.478	171.162	190.995
Burma	(Kyat)	11.578	6.0083	4.0411	4.5094
Burundi	(Burundi Fr)	313.50	162.688	109.424	122.103
Cambodia	(Riel)	886.42	460	309.396	345.246
Cameroon	(CFA Fr)	490.38	254.478	171.162	190.995
Canada	(Canadian $)	2.2345	1.1595	0.7799	0.8703
Canary Is	(Sp Peseta)	183.05	94.9922	63.8917	71.295
Cp. Verde	(CV Escudo)	124.8074	64.7677	43.5627	48.6104
Cayman Is	(CI $)	1.6048	0.8327	0.5601	0.625
Cent.Afr. Rep	(CFA Fr)	490.38	254.478	171.162	190.995
Chad	(CFA Fr)	490.38	254.478	171.162	190.995
Chile	(Chilean Peso)	639.305	331.762	223.143	248.999
China	(Renminbi Yuan)	10.1230	5.2532	3.5333	3.9427
Colombia	(Col Peso)	1067.36	553.897	372.551	415.72
Comoros	(CFA Fr)	490.38	254.478	171.162	190.995
Congo (Brazz)	(CFA Fr)	490.38	254.478	171.162	190.995
Costa Rica	(Colon)	197.0237	102.244	68.7691	76.7375
Côte d'Ivoire	(CFA Fr)	490.38	254.478	171.162	190.995
Cuba	(Cuban Peso)	1.5400	0.7991	0.5375	0.5998
Cyprus	(Cyprus £)	0.8250	0.4281	0.2879	0.3213
Czechoslovakia	(Koruna)	45.50c	23.6118	15.8813	17.7215
		59.24t	30.742	20.6771	23.073
Denmark	(Danish Kroner)	11.0450	5.7317	3.8551	4.3018
Djibouti Rep	(Djib Fr)	341.00	176.959	119.023	132.814
Dominica	(E Carrib $)	5.2205	2.7091	1.8221	2.0333
Dominican Rep	(D Peso)	21.6552	11.2377	7.5585	8.4343
Ecuador	(Sucre)	1696.25o	880.254	592.059	660.662
		1655.12a	858.91	577.703	644.643
Egypt	(Egyptian £)	5.5525	2.8814	1.938	2.1626
El Salvador	(Colon)	12.2719	6.3681	4.2832	4.7795
Equat'l Guinea	(CFA Fr)	490.38	254.478	171.162	190.995
Ethiopia	(Ethiopian Birr)	3.9716	2.061	1.3862	1.5468
Falkland Is	(Falk £)	1.00	0.5189	0.349	0.3894
Faroe Is	(Danish Kroner)	11.0450	5.7317	3.8551	4.3018
Fiji Is	(Fiji $)	2.8000	1.453	0.9773	1.0905
Finland	(Markka)	6.9528	3.608	2.4268	2.708
France	(Fr)	9.8075	5.0895	3.4232	3.8198
Fr. Cty/Africa	(CFA Fr)	490.38	254.478	171.162	190.995
Fr. Guiana	(Local Fr)	9.8075	5.0895	3.4232	3.8198
Fr. Pacific Is	(CFP Fr)	176.00	91.3336	61.431	68.5491
Gabon	(CFA Fr)	490.38	254.478	171.162	190.995
Gambia	(Dalasi)	14.6192	7.5865	5.1026	5.6939
Germany	(D-Mark)	2.8650	1.4867	1	1.1158
Ghana	(Cedi)	666.885	346.074	232.77	259.741
Gibraltar	(Gib £)	1.00	0.5189	0.349	0.3894
Greece	(Drachma)	298.90	155.112	104.328	116.417
Greenland	(Danish Krone)	11.0450	5.7317	3.8551	4.3018
Grenada	(E Carr $)	5.2205	2.7091	1.8221	2.0333
Guadaloupe	(Local Fr)	9.8075	5.0895	3.4232	3.8198
Guam	(US $)	1.9270	1	0.6726	0.7505
Guatemala	(Quetzal)	10.0018	5.1903	3.491	3.8955
Guinea	(Fr)	1198.77a	622.091	418.419	466.902
		580.05n	301.012	202.461	225.92
Guinea-Bissau	(Peso)	1256.775	652.193	438.665	489.494
Guyana	(Guyanese $)	85.86	44.5563	29.9685	33.441
Haiti	(Goude)	9.6675u	5	3.3743	3.7653
Honduras	(Lempira)	11.0155	5.7163	3.8448	4.2903
Hong Kong	(HK $)	15.0640	7.8173	5.2579	5.8671
Hungary	(Forint)	117.7582	61.1096	41.1023	45.8649
Iceland	(Icelandic Krona)	106.02	55.0181	37.0052	41.293
India	(Indian Rupee)	34.80	18.0591	12.1465	13.554
Indonesia	(Rupiah)	3667.725	1903.33	1280.18	1428.52
Iran	(Rial)	124.80	64.7638	43.5602	48.6075
Iraq	(Iraqi Dinar)	0.6023	0.3125	0.2102	0.2345
Irish Rep	(Punt)	1.0765	0.5586	0.3757	0.4192
Israel	(Shekel)	3.9000	2.0238	1.3612	1.5189
Italy	(Lira)	2164.0	1122.99	755.323	842.843
Jamaica	(Jamaican $)	14.9650	7.7659	5.2233	5.8286
Japan	(Yen)	256.75	133.238	89.616	100
Jordan	(Jordanian Dinar)	1.2539	0.6507	0.4376	0.4883
Kenya	(Kenya Shilling)	45.67	23.7	15.9406	17.7877
Kiribati	(Australian $)	2.5225	1.309	0.8804	0.9824
Korea North	(Won)	1.8755	0.9732	0.6546	0.7304
Korea South	(Won)	1387.40	719.979	484.258	540.37
Kuwait ‡	(Kuwaiti Dinar)				
Laos	(New Kip)	1324.4475	687.311	462.285	515.851
Lebanon	(Lebanese £)	1590.20	825.221	555.044	619.357
Lesotho	(Maloti)	4.8685	2.5264	1.6993	1.8962
Liberia	(Liberian $)	1.9270	1	0.6726	0.7505
Libya	(Libyan Dinar)	[illegible]	0.2678	0.1801	0.201
Liechenstein	(Swiss Fr)	2.4575	1.2752	0.8577	0.9571
Luxembourg	(Lux Fr)	59.25	30.7472	20.6806	23.0769
Macao	(Pataca)	15.5509	8.07	5.4278	6.0568
Madagascar	(MG Fr)	2559.25	1328.1	893.281	996.787
Madeira	(Port Escudo)	253.90	131.759	88.6212	98.8899
Malawi	(Kwacha)	4.9449	2.5661	1.7259	1.9259
Malaysia	(Ringgit)	5.2100	2.7036	1.8184	2.0292
Maldive Is	(Rufiya)	18.3895	9.543	6.4186	7.1624
Mali Rep	(CFA Fr)	490.38	254.478	171.162	190.995
Malta	(Maltese £)	0.5725	0.297	0.1998	0.2229
Martinique	(Local Fr)	9.8075	5.0895	3.4232	3.8198
Mauritania	(Ouguiya)	152.2825	79.0256	[illegible]	59.3115
Mauritius	(Maur Rupee)	26.85	13.9335	9.3717	10.4576
Mexico	(Mexican Peso)	5692.15e	2953.89	1986.79	2217
		5671.73d	2943.3	1979.66	2209.05
Miquelon	(Local Fr)	9.8075	5.0895	3.4232	3.8198
Monaco	(French Fr)	9.8075	5.0895	3.4232	3.8198
Mongolia	(Tugrik)	6.4879	3.3668	2.2645	2.5269
Montserrat	(E Carr $)	5.2205	2.7091	1.8221	2.0333
Morocco	(Dirham)	15.6828	8.1384	5.4739	6.1081
Mozambique	(Metical)	1959.94	1017.09	684.098	763.365
Namibia	(S A Rand)	4.8685	2.5264	1.6993	1.8962
Nauru Is	(Australian $)	2.5225	1.309	0.8804	0.9824
Nepal	(Nepalese Rupee)	57.8310	30.0108	20.1853	22.5242
Netherlands	(Guilder)	3.2300	1.6761	1.1273	1.258
N'nd Antilles	(A/Guilder)	3.4610	1.796	1.208	1.348
New Zealand	(NZ $)	3.2595	1.6914	1.1376	1.2695
Nicaragua	(Cordoba)	4447050.0	[illegible]	1552199	1732055
Niger Rep	(CFA Fr)	490.38	254.478	171.162	190.995
Nigeria	(Naira)	16.0481	8.328	5.6014	6.2504
Norway	(Nor. Krone)	11.2350	5.8303	3.9214	4.3758
Oman	(Rial Omani)	0.7441	0.3861	0.2597	0.2898
Pakistan	(Pak. Rupee)	41.00	21.2765	14.3106	15.9688
Panama	(Balboa)	1.9270	1	0.6726	0.7505
Papua New Guinea	(Kina)	1.8400	0.9548	0.6422	0.7166
Paraguay	(Guarani)	2373.20	1231.55	828.342	924.323
Peru	(Inti)	1094392.0	567925	381987	426248
Philippines	(Peso)	52.00	26.9849	18.15	20.2531
Pitcairn Is	(£ Sterling)	1.00	0.5189	0.349	0.3894
	(NZ $)	3.2595	1.6914	1.1376	1.2695
Poland	(Zloty)	18439.0	9568.76	6435.95	7181.69
Portugal	(Escudo)	253.90	131.759	88.6212	98.8899
Puerto Rico	(US $)	1.9270	1	0.6726	0.7505
Qatar	(Riyal)	7.0407	3.6537	2.4574	2.7422
Reunion Is. de la	(F/Fr)	9.8075	5.0895	3.4232	3.8198
Romania	(Leu)	67.34	34.9455	23.5045	26.2278
Rwanda	(Fr)	231.87	120.327	80.9319	90.3096
St Christopher	(E Carr $)	5.2205	2.7091	1.8221	2.0333
St Helena	(£)	1.00	0.5189	0.349	0.3894
St Lucia	(E Carr $)	5.2205	2.7091	1.8221	2.0333
St Pierre	(French Fr)	9.8075	5.0895	3.4232	3.8198
St Vincent	(E Carr $)	5.2205	2.7091	1.8221	2.0333
San Marino	(Italian Lira)	2164.0	1122.99	755.323	842.843
Sao Tome	(Dobra)	291.3785	151.208	101.703	113.487
Saudi Arabia	(Riyal)	7.2525	3.7636	[illegible]	2.8247
Senegal	(CFA Fr)	490.38	254.478	171.162	190.995
Seychelles	(Rupee)	9.50	4.9299	3.3158	3.7
Sierra Leone	(Leone)	326.10	169.227	113.822	127.011
Singapore	($)	3.3155	1.7205	1.1572	1.2913
Solomon Is	($)	5.0100	2.5998	1.7486	1.9513
Somali Rep	(Shilling)	5065.77	2628.84	1768.16	1973.04
South Africa	(Rand)	4.8685c	2.5264	1.6993	1.8962
		6.6350g	3.4431	[illegible]	2.5842
Spain	(Peseta)	183.05	94.9922	63.8917	71.295
Spanish Ports in N Africa	(Sp Peseta)	183.05	94.9922	63.8917	71.295
Sri Lanka	(Rupee)	76.50	39.699	26.7015	29.7955
Sudan Rep	(£)	8.7008o	4.5152	3.0369	3.3888
		22.1386g	11.4886	7.7272	8.6226
Surinam	(Guilder)	3.4513	1.791	1.2046	1.3442
Swaziland	(Lilangeni)	4.8685	2.5264	1.6993	1.8962
Sweden	(Krona)	10.7950	5.6019	3.7678	4.2044
Switzerland	(Fr)	2.4575	1.2752	0.8577	0.9571
Syria	(£)	40.6035	21.0708	14.1722	15.8144
Taiwan	($)	52.38	[illegible]	18.2722	20.3894
Tanzania	(Shilling)	377.42	195.859	131.735	146.999
Thailand	(Baht)	48.00	24.9091	16.7539	18.6952
Togo Rep	(CFA Fr)	490.38	254.478	171.162	190.995
Tonga Is	(Pa Anga)	2.5225	1.309	0.8804	0.9824
Trinidad/Tobago	($)	8.2174	4.2643	2.8682	3.2005
Tunisia	(Dinar)	1.6046	0.8326	0.56	0.6249
Turkey	(Lira)	5540.70	2875.3	1933.93	2158.01
Turks & Caicos	(US $)	1.9270	1	0.6726	0.7505
Tuvalu	(Australian $)	2.5225	1.309	0.8804	0.9824
Uganda	(New Shilling)	985.6596	511.5	344.035	383.899
U A E	(Dirham)	7.1040	3.6865	2.4795	2.7668
United Kingdom	(£)	1.00	0.5189	0.349	0.3894
United States	(US $)	1.9270	1	0.6726	0.7505
Uruguay	(Peso)	2936.075	1523.65	1024.81	1143.55
USSR	(Rouble)	1.0730o	0.5568	0.3745	0.4179
		3.2190c	1.6704	[illegible]	1.2537
Vanuatu	(Vatu)	218.00	113.129	76.0907	84.9074
Vatican	(Lira)	2164.0	1122.99	755.323	842.843
Venezuela	(Bolivar)	97.3900	50.5396	33.993	37.9318
Vietnam	(Dong)	12471.075	6471.76	4352.91	4857.28
Virgin Is-British	(US $)	1.9270	1	0.6726	0.7505
Virgin Is-US	(US $)	1.9270	1	0.6726	0.7505
Western Samoa	(Tala)	4.3705	2.268	1.5254	1.7022
Yemen	(Rial)	23.2987	12.0906	8.1321	9.0744
Yemen PDR	(Dinar)	0.8913	0.4625	0.311	0.3471
Yugoslavia	(Dinar)	20.1554	10.4594	7.035	7.8502
Zaire Rep	(Zaire)	2978.00	1545.41	1039.44	1159.88
Zambia	(Kwacha)	86.6208	44.9511	30.2341	33.7374
Zimbabwe	($)	4.9749	2.5816	1.7364	1.9376

Special Drawing Rights December 14 United Kingdom [illegible] United States $1.43648 Germany D Mark 2.12786 Japan Yen189.687
European Currency Unit Rates December 17 United Kingdom £0.710432 United States $1.37255 Germany D Mark 2.04126 Japan Yen182.824

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar; ‡ Kuwait Dinar unavailable.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday 17 December, 1990.

INT'L COMPANIES AND FINANCE

Mercedes sales venture in Japan is abandoned

By Stefan Wagstyl in Tokyo

DAIMLER BENZ, the German autos and engineering group, Mitsubishi Motors, the Japanese vehicle maker, and Yanase, the Japanese distributor of Mercedes Benz cars, have dropped a widely-publicised plan to establish a joint venture to sell Mercedes cars in Japan.

The project was to have been the first fruit of a long-term strategic alliance set up earlier this year by Daimler Benz and companies in the Mitsubishi industrial grouping.

But the proposal foundered on opposition from Yanase, which handles some 90 per cent of Mercedes sales in Japan, and which apparently objected because it would have had only a minority stake in the venture. Under the original plan, made public in September, Daimler Benz would have taken a 51 per cent stake in a new distribution company and Mitsubishi and Yanase 24.5 per cent each.

Under a new agreement announced yesterday, Daimler Benz and Mitsubishi Motors will sell Mercedes cars in parallel with Yanase, but in two separate operations.

One is a previously-announced joint venture to set up new dealerships, called Stern, which will handle the full range of Mercedes cars. The second is a new plan for Mitsubishi to market compact and medium-priced Mercedes cars through Mitsubishi dealers specialising in the Galant, an up-market model.

Yanase will remain the biggest retailer of Mercedes cars, selling them through 25 exclusive showrooms and about 100 other multi-marque outlets. Stern has 16 showrooms open and another 17 registered for opening. About 100 Galant showrooms are expected to be selling Mercedes in five years.

International Paper to sell assets

By Martin Dickson in New York

INTERNATIONAL PAPER, the aggressive US forest products group, plans to take a $212m pre-tax charge in the fourth quarter, mainly to cover the sale or liquidation of assets which are not strategically important or not making an adequate return.

The company declined to spell out what businesses or facilities had been earmarked for disposal, but said all of them were in the US. The move, it added, followed a detailed review of all activities.

Asset sales were expected to generate as much as $200m in after-tax proceeds over the next three years, and the company estimated the pre-tax earnings benefit from its actions would be $25m to $40m annually.

More than two-thirds of the fourth-quarter charge covers disposals; the remainder involves environmental clean-up costs at wood-treating plants and personnel costs from restructuring the group.

Mr John Georges, chairman, said the move would allow the company to capture capital that could be better used elsewhere. It would have a favourable effect on cash flow and earnings in 1991 and succeeding years.

He said the company anticipated that fourth-quarter operating earnings before the special charge would be in line with analysts' expectations.

These are pitched between $1.35 and $1.55 a share, to give a full-year figure of around $6.50, down from $7.72 in 1989.

The US paper industry is going through a cyclical downturn, but analysts note International Paper's figures have held up better than those of many competitors.

Hafslund expands with DAK acquisition

By Karen Fossli in Oslo

HAFSLUND NYCOMED, the pharmaceutical concern which is one of Norway's largest publicly-quoted companies, is to acquire Denmark's DAK-Laboratoriet, another pharmaceutical company. The move takes it into the top four companies in the sector in Scandinavia.

The deal, made through Nycomed Pharma, Hafslund's Danish subsidiary, is worth around NKr650m ($112m). It comprises a purchase price of DKr469.769m ($83.8m) and the transfer of 446,769 free A-shares and 526,000 restricted B-shares held by Hafslund Nycomed to the Danish Pharmaceutical Association, DAK's previous owners, who "want to be long-term investors in Hafslund Nycomed".

DAK, which manufactures and distributes a wide selection of drugs and medical products, expects a turnover this year of some DKr530m and a profit of DKr90m, up from, respectively, DKr473m and DKr35m in 1989. Mr Svein Aaser, Hafslund's president, forecast further improvement in 1991 in Dak's result, though he would not reveal details.

Hafslund Nycomed, best known for its X-ray contrast media, saw a turnover in 1989 of NKr2.97bn and pre-tax profits of NKr960m. It is one of Norway's most closely followed companies among international investors, largely because of the phenomenal success of its Omnipaque non-ionic contrast media, which offers better results and fewer side effects than older types.

Mr Peter J. Kielgast, general secretary in the Danish Pharmaceutical Association, said the sale of Dak to Hafslund would enable DAK to grow stronger in order to meet international competition.

It will also increase the company's market share in Denmark to 15 per cent from 12 per cent.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on December 17

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	[illegible]	[illegible]		8.46
ALBERTA PROVINCE 9 3/8 95	600	[illegible]	[illegible]	[illegible]	8.92
AUSTRIA 8 1/2 00	400	[illegible]	[illegible]	[illegible]	8.80
BANK OF TOKYO 8 3/8 96	100	[illegible]	[illegible]	[illegible]	9.09
BELGIUM 9 1/8 92	400	[illegible]	[illegible]	[illegible]	8.13
BFCE 7 3/4 97	150	96	[illegible]	[illegible]	8.40
BNP 8 5/8 94	300	[illegible]	[illegible]	[illegible]	8.31
BP CAPITAL 9 5/8 95	150	[illegible]	[illegible]	[illegible]	8.45
CANADA 9 96	1000	[illegible]	[illegible]	[illegible]	8.28
CARCO 9 1/4 96	[illegible]	[illegible]	99	[illegible]	9.44
CCCE 9 1/4 95	300	[illegible]	[illegible]		8.59
COUNCIL EUROPE 8 96	100	[illegible]	[illegible]	[illegible]	8.53
CREDIT FONCIER 9 1/2 99	300	[illegible]	[illegible]	[illegible]	8.83
DENMARK 0 98	250	[illegible]	[illegible]		8.84
DENMARK 8 1/4 94	150	[illegible]	100		8.35
ECSC 8 1/4 96	[illegible]	[illegible]	[illegible]	[illegible]	8.58
EEC 7 1/4 93	250	[illegible]	[illegible]		7.99
EIB 7 3/4 96	250	[illegible]	[illegible]	[illegible]	8.46
EIB 10 97	250	[illegible]	[illegible]	[illegible]	8.66
ELEC DE FRANCE 9 98	200	[illegible]	[illegible]	[illegible]	8.66
EUROFIMA 9 1/4 96	100	[illegible]	[illegible]	[illegible]	8.71
EXPORT DEV CORP 9 1/2 98	150	[illegible]	[illegible]	[illegible]	8.81
FINLAND 7 7/8 97	200	[illegible]	[illegible]	[illegible]	8.88
FINNISH EXPORT 9 3/8 95	200	[illegible]	[illegible]		8.95
FORD MOTOR CREDIT 9 1/2 93	300	[illegible]	[illegible]		9.02
GEN ELEC CAPITAL 9 3/8 96	300	[illegible]	[illegible]	[illegible]	8.70
GMAC 9 1/8 96	200	[illegible]	[illegible]	[illegible]	9.42
HALIFAX 9 1/2 93	200	102	[illegible]		8.54
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	[illegible]	[illegible]		9.38
KREDIETBANK 7 93 LFr	1000	[illegible]	[illegible]		10.00
WORLD BANK 8 96 LFr	1000	94	95	[illegible]	9.46
AMRO BANK 6 1/4 92 Fl	150	[illegible]	[illegible]		9.87
RABOBANK 5 3/4 93 Fl	150	[illegible]	93	[illegible]	9.90
ALBERTA PROVINCE 10 92 C$	500	[illegible]	[illegible]		11.45
BCE INC 9 5/8 93 C$	300	[illegible]	[illegible]		11.66
BELL CANADA 10 5/8 99 C$	150	[illegible]	96	[illegible]	11.49
BRITISH COLUMBIA 9 1/4 93 C$	150	[illegible]	[illegible]	[illegible]	11.49
EIB 10 1/8 98 C$	130	96	[illegible]	[illegible]	10.93
FORD CREDIT CANADA 10 94 C$	100	95	[illegible]	[illegible]	11.72
GENERAL ELECT CAP 10 1/4 93 C$	175	[illegible]	[illegible]		10.97
MONTREAL TRUSTCO 8 1/2 92 C$	100	[illegible]	[illegible]		12.88
ONTARIO HYDRO 10 7/8 99 C$	500	[illegible]	98	[illegible]	11.28
QUEBEC PROV 10 1/2 98 C$	200	[illegible]	[illegible]	[illegible]	11.31
ROYAL TRUSTCO 10 1/4 93 C$	100	[illegible]	[illegible]	[illegible]	12.10
SWEDEN 9 3/4 93 C$	250	[illegible]	[illegible]	[illegible]	11.06
AUSTRIA 7 3/8 93 Ecu	125	[illegible]	[illegible]		10.69
CNT 7 3/8 93 Ecu	[illegible]	[illegible]	[illegible]		10.94
CREDIT LYONNAIS 9 96 Ecu	125	[illegible]	96		10.78
DENMARK 7 5/8 96 Ecu	250	[illegible]	[illegible]	[illegible]	10.01
EEC 7 5/8 94 Ecu	200	[illegible]	[illegible]	[illegible]	10.04
EIB 10 97 Ecu	1125	[illegible]	[illegible]	[illegible]	9.85
ITALY 10 3/4 00 Ecu	1000	[illegible]	[illegible]	[illegible]	9.95
SWEDEN 7 1/2 93 Ecu	250	[illegible]	[illegible]		11.00
BMW FINANCE 14 1/2 92 A$	100	[illegible]	[illegible]		12.83
COUNCIL EUROPE 13 93 A$	50	[illegible]	102	[illegible]	12.12
EKSPORTFINANS 12 3/8 95 A$	75	[illegible]	[illegible]	[illegible]	12.21
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES · CONVERTIBLE BONDS · D MARK STRAIGHTS · SWISS FRANC STRAIGHTS · YEN STRAIGHTS: [illegible]

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month [illegible] above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Treasuries remain nervous as Gulf crisis deepens

By Martin Dickson in New York and Tracy Corrigan in London

US Treasury bond prices closed slightly higher across the yield curve, as the market weighed up the latest signs of war in the Middle East and the chances of a further easing of US monetary policy.

The market opened softer in response to weaknesses in overnight Tokyo trading, but by lunchtime virtually all the losses had been recovered.

At the close, the benchmark 30-year issue was up ⅛ at 106.11 to yield 8.171, with analysts detecting some bottom fishing demand at 8.25. At the shorter end, the 8½ due September 1994 closed up ⅛ at 102.29 to yield 7.586.

The market remained extremely nervous over the potential for war in the Middle East, and the diplomatic stand-off between Washington and Baghdad. This was partially offset by hopes that US rates will shortly be heading still lower, in view of Friday's news of a particularly sharp drop in industrial production.

However, Friday also produced some surprisingly strong inflation figures, which led some analysts to suggest the Fed might stay its hand when its policy-making Open Market Committee meets today.

In spite of expectations that there would be no Fed intervention in the money markets yesterday morning, the central bank arranged $1.5bn of customer repurchase agreements when Fed Funds were trading at 7⅜, compared with its target of 7¼.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-06	-03/32	11.44	11.19	11.37
		9.000	08/00	90-23	-08/32	10.50	10.56	11.25
		9.000	10/08	90-11	-08/32	10.18	10.20	10.91
US TREASURY *		8.500	11/00	103-10	+05/32	8.00	7.98	8.29
		8.750	08/20	106-12	-05/32	8.17	8.14	8.44
JAPAN	No 119	4.800	6/99	87.7038	+0.373	7.12	7.16	7.70
	No 129	6.400	03/00	98.1734	+0.112	6.72	6.86	7.36
GERMANY		9.000	10/00	101.8400	-0.280	8.71	8.78	8.93
FRANCE	BTAN	9.000	11/95	95.6252	-0.035	10.18	10.19	10.28
	OAT	8.500	03/00	91.7400	-0.270	9.88	9.92	10.25
CANADA *		10.500	03/01	102.0000	-0.050	10.18	10.21	10.52
NETHERLANDS		9.250	11/00	101.5700	-0.320	9.00	9.03	9.14
AUSTRALIA		13.000	07/00	105.6279	-0.645	12.00	11.89	12.44
BELGIUM		10.000	08/00	100.2500	-0.400	9.94	9.87	9.75

London closing, *denotes New York closing
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

■ IN EUROPE, government bond markets opened lower, depressed by the failure to set a date for talks between the US and Iraq aimed at resolving the Gulf crisis, and in sympathy with the weakness of the US market on Friday. For the rest of the day, however, European markets traded in a narrow range, waiting for further direction to be provided through significant action by the US Federal Reserve.

Gilt prices opened ½ point lower, reacting to the fall in the US market, but recovered towards the end of the day. Most dealers are content to maintain flat positions in the run-up to the year-end, according to traders, given that a rate cut appears unlikely, as sterling remains rather weak.

The 9 per cent gilt due 2008 ended at 90¼, down ⅛ from Friday. Dealers said sporadic buying helped the thin market recover, as prices remain firmly underpinned. As the economy enters recession, expectations of lower interest rates soon and a real prospect of plummeting inflation by the end of 1991 mean that the gilts market is still one of the better options for cash-rich fund managers, say analysts.

■ THE GERMAN market ended ¼ point lower after trading in a tight range. The next issue of German bunds, scheduled for December 27, is expected to be between DM10bn and DM12bn as the New Year bund issue is traditionally a large one and market conditions are considered relatively favourable, in spite of concern over inflationary pressure.

■ THE JAPANESE government bond market also recovered from a weak opening. The yield on the benchmark No 119 bond ended at 7.10 per cent, from an opening level of 7.18.

Daimler steps into domestic market

By Katharine Campbell in Frankfurt

DAIMLER BENZ, Germany's largest industrial company, is to breath life into the D-mark commercial paper market with a DM500m facility. The move represents an important extension of the underdeveloped domestic money market.

A number of factors, including cumbersome regulation and the levy of a stock turnover tax, have hindered the development of a commercial paper market which elsewhere – notably in the US and other European markets – is a significant and flexible source of short-term funds.

From the beginning of 1991, however, Germany is finally abolishing its stock turnover tax. The upper house of the German parliament also last Friday removed the requirement for finance ministry approval for domestic securities issues.

The mandate for the first D-mark programme goes to Deutsche Bank, Germany's largest bank. It will place the Daimler paper, which will range in maturities from seven days to two years. The programme does not carry an agency rating.

German companies have complained for some time of the restricted financing vehicle options in their home market. The shortage has forced them to turn to the Euromarkets. Daimler, for instance, already has a commercial paper programme in Dutch guilders as well as in dollars, but has so far been unable to tap domestic funds.

Friday's change is part of a move by the authorities to enhance Germany's attractiveness as a financial centre. With interest rates high, companies will be more likely to make use of the opportunity to issue commercial paper rather than bonds at the longer end of the yield curve, while current conditions persist.

The range of instruments in the domestic money market has already grown this year, with D-mark-denominated floating rate notes issued by the central government, followed by a flood of FRN's from the east German Staatsbank.

Yen sector props up issue activity

By Simon London

THE YEN sector of the international bond market provided the only new issue activity yesterday as the markets began to wind down for the Christmas holiday.

Tokyu Corporation came with two Yen issues, one fixed and one floating, lead-managed by Nomura International and Yamaichi International respectively. However, the Y52bn of bonds issued are targeted at Far Eastern investors and are unlikely to trade widely.

Later this week, Nissan Motor is expected to come with an issue in the region of Y50bn, possibly in two tranches. Many Eurobond houses are closely watching the pricing of the deal, worried that the borrower may cut to a minimum the fees paid to underwriters.

A borrower of Nissan's stature can often pare its borrowing costs to the bone and still guarantee the participation of houses which hope to pick up other, more lucrative business.

One house suggested fees inside 25 cents at the 5-year maturity or 32½ basis points at 10 years would be unacceptable to many in the market.

Elsewhere, a fresh round of capital-raising by Japanese banks is expected in the New Year following approval by the ministry of finance for a new bond structure designed to cut the cost of capital.

On Friday, Mitsubishi Bank launched a $800m, 10-year bond issue carrying a straight 8⅞ per cent coupon. The bonds have been issued by an offshore subsidiary of Mitsubishi, MBL Finance, based in Curacao. The paper is guaranteed on a subordinated basis by the parent bank.

The issue counts as Lower Tier II capital under the Basle guidelines on bank capital adequacy. The fixed-rate structure, the subordinated guarantee, and the establishment of an offshore subsidiary all required ministry approval. The subordinated guarantee required a special exemption from Japan's foreign exchange controls, according to an official at Mitsubishi Finance in London.

In the autumn, Japanese banks raised around $4bn of capital by launching dollar-denominated floating rate notes, often in the form of loan participation certificates. However, demand for such instruments has now been saturated and the banks are looking for new structures acceptable to both investors and the ministry.

The Mitsubishi bonds have been placed with a group of Far Eastern investors, and are not expected to trade widely. Pockets of demand for subordinated paper are rare, and the bank remains tight-lipped about exactly which investors have bought the bonds.

Other Japanese banks may now follow by issuing straight bonds via offshore subsidiaries, with a subordinated guarantee from the parent bank. Of the top 12 Japanese "city" or commercial banks, only three would meet Basle guidelines on capital adequacy due to take effect in March 1993.

The fall in the Tokyo stock market this year has slashed the banks' unrealised gains on holdings of securities, 40 per cent of which can be counted as capital.

When interim results were announced last month, unrealised stock profits of the top 15 banks were down 49.5 per cent to $153bn. This suggests that the top 15 alone have seen $60bn of Tier II capital wiped from their balance sheets since March.

First German asset-backed deal emerges

By Tracy Corrigan

THE FIRST issue of asset-backed securities in the German market has emerged, marking a quickening of the pace of securitisation in Europe. However, a market for German asset-backed securities is unlikely to develop in the near future, partly because there is no legal framework for such issues.

KKB Bank, a German bank which is 97 per cent held by Citibank, has issued DM230m of Schuldschein notes, backed by consumer loans. The deal, signed on Friday, was launched through a special purpose vehicle called Consumer Loan Finance No 1, incorporated in the Cayman Islands.

In securitisation, a company can remove assets from its balance sheet by repackaging them for sale as securities. This allows banks to improve capital adequacy ratios without having to raise expensive capital.

The notes, structured as transferrable loans, pay a monthly interest rate of 0.3125 per cent above the London interbank offered rate. They have an average life of 16 to 18 months, and no individual consumer loan has longer than 72 months to run. The issue was privately placed by Citibank in Frankfurt.

Because there is no legal framework for securitisation in Germany, any such deal has to be approved by both the Bundesbank and the federal regulatory authorities. The issue of securitisation remains politically sensitive in Germany, and public offerings of such debt are not likely to be permitted, though carefully scrutinised private deals may be allowed to trickle out.

In any case, German banks are generally better capitalised than most of their European counterparts, and so have less incentive to securitise their assets.

Moody's Investors Service has assigned the issue a double-A1 credit rating, based on the quality of the loan collateral, a 16 per cent letter of credit provided by Westdeutsche Landesbank, a DM4.5m reserve deposit and the performance obligation of Citibank.

Japan scales down NTT shares sell-off

THE JAPANESE government will sell some 500,000 shares a year in Nippon Telegraph and Telephone over the next five years starting April 1 1991, Reuter reports from Tokyo.

The finance minister, Mr Ryutaro Hashimoto, said the government would keep the other half of the 5.2m shares it had said it planned to sell. It currently owns 10.2m of the outstanding 15.6m shares in the former domestic telecommunications monopoly. Non-Japanese residents are barred from owning the stock.

The finance ministry sold 1.95m NTT shares in 1986-87, another 1.95m in 1987-88, and 1.55m in 1988-89. It has suspended sales this year due to the weakness of world stock markets.

The NTT Corporation Act, under which the company was privatised, says the government must keep 5.2m shares or one third of its capital.

After selling 500,000 NTT shares in 1991-92, the ministry said it would review the sales programme. Annual sales could vary depending on market conditions, it said.

A ministry official said last month the ministry wanted to list NTT shares on the the New York Stock Exchange.

Greece offers three Ecu-linked bonds

By Kerin Hope in Athens

GREECE yesterday offered three drachma bonds index-linked to the Ecu in the sixth such issue this year. The two-year bond is at 10.7 per cent, the three-year at 10.8 and the four-year at 11 per cent.

The bonds, which are tax-free, are the first to be issued since the government announced last month that interest earned on bank deposits would be taxed at 10 per cent annually from the end of the year.

They are issued at par with a face value in Ecus. Interest and final payment are based on the Ecu, but will be made in drachmas at the prevailing rate on payment day, according to the Bank of Greece.

Funds imported from abroad to buy the new bonds can be freely converted and re-exported when the issue expires or the purchaser sells.

The bonds will also be traded on the Athens stock exchange. The bank said the Ecu clause provided "the best possible protection" against currency fluctuations. The drachma has already depreciated by 11 per cent this year against a basket of European currencies.

The previous Ecu-linked issues raised more than Dr350bn ($2.25bn), of which over Dr120bn came from a one-year bond issued in January at 12 per cent.

The new issues come as the government faces a cash squeeze, with more than Dr150bn in bonuses due this month to public sector employees and pensioners.

S&P affirms Nabisco ratings

STANDARD and Poor's, the US credit rating agency, has affirmed RJR Nabisco Holding's BB-rated senior debt and B-plus subordinated debt and preferred stock ratings, Reuter reports. About $13bn of debt and preferred stock is affected.

S&P said that although the announced $753m cash and common equity exchange offer for a portion of the outstanding subordinated exchange debentures was another positive step in reducing RJR Nabisco's leverage, the move had no immediate ratings impact.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Monday December 17 1990

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RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	82	4
Corporations, Dominion and Foreign Bonds	0	5	16
Industrials	195	382	965
Financial and Properties	87	221	441
Oils	27	19	47
Plantations	1	1	8
Mines	45	20	88
Others	64	66	86
Totals	419	796	1,675

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

FIXED INTEREST

PRICE INDICES		Mon Dec 17	Day's change %	Fri Dec 14	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	119.21	-0.18	119.96	0.55	12.05
2	5-15 years	128.22	-0.49	129.59	0.74	13.42
3	Over 15 years	131.59	-0.58	132.35	–	11.90
4	Irredeemables	148.13	-1.10	149.90	–	15.70
5	All stocks	127.31	-0.40	128.43	0.61	12.96
	Index-Linked					
6	Up to 5 years	157.34	-0.05	157.42	–	3.04
7	Over 5 years	144.86	-0.34	145.36	–	3.82
8	All stocks	145.68	-0.32	146.14	–	3.75
9	Debentures & Loans	103.67	-0.10	103.78	–	11.35
10	Preference	74.07	-0.04	74.10	–	6.66

AVERAGE GROSS REDEMPTION YIELDS			Mon Dec 17	Fri Dec 14	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	9.80	9.66	10.29
2		15 years	10.12	10.07	9.67
3		25 years	10.15	10.09	9.57
4	Medium Coupons	5 years	10.91	10.81	11.43
5		15 years	10.47	10.38	10.05
6		25 years	10.30	10.21	9.68
7	High Coupons	5 years	11.03	10.94	11.32
8		15 years	10.65	10.56	10.25
9		25 years	10.45	10.35	9.81
10	Irredeemables		10.35	10.22	9.65
	Index-Linked				
11	Inflation rate 5%	Up to 5 yrs	3.84	3.80	3.89
12	Inflation rate 5%	Over 5 yrs	4.11	4.09	3.62
13	Inflation rate 10%	Up to 5 yrs	2.45	2.41	2.95
14	Inflation rate 10%	Over 5 yrs	3.92	3.89	3.44
15	Debs & Loans	5 years	12.63	12.52	13.06
16		15 years	12.39	12.32	12.52
17		25 years	12.15	12.12	12.11
18	Preference		12.76	12.75	10.79

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TRADITIONAL OPTIONS

- First Dealings Dec. 17
- Last Dealings Jan. 4
- Last Declarations March 27
- For settlement April 8

For rate indications see end of *London Share Service*

Calls in Aran Energy, Premier Cons. and Tusker Res. Put in Dixons.

LONDON TRADED OPTIONS

Activity in the stock futures and index markets was reduced yesterday as the underlying equity market clearly slowed down ahead of the Christmas break. However, the FT-SE December futures contract remained at a fairly solid premium, closing about 10 points above the fair value level calculated by broking houses to allow for impending dividend flows and financial carrying costs.

Traders noted, however, that interest was beginning to shift towards the March contract on the FT-SE, which will take over from the December contract on the last day of 1990. The spread between the two contracts narrowed to around 36-38.

In the options market, turnover fell noticeably, to return a total of only 14,181 contracts against 20,741 in Friday's trading session; yesterday's total comprised 20,741 call options and 7,341 puts. Volume in the FT-SE option was down from 2,604 to 4,445.

Among traded share options, British Gas topped the actives list following the news of the significant oil discovery in the Gulf of Suez. Both Barclays and TSB saw option activity as the underlying stocks came under pressure, recording turnover of 850 and 844 contracts respectively.

Unilever came well up the list without traders finding a convincing reason for the turnover of 901 contracts. The list was made up of further business in Hanson contracts and in Kingfisher, which recorded 704 contracts as the store and retail sector suffered a further setback on fears that UK base rates may not be cut yet despite the evident deepening in the UK recession.

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UK COMPANY NEWS

Acquisitions behind surge to £52.1m at Gestetner

By David Owen

INCREASED contributions from acquisitions spurred Gestetner, the distributor of office equipment and photographic products, to a 44 per cent improvement in profits to £52.1m pre-tax for the year to October 31.

The shares, which have staged a recovery of late having shed a third of their value over the five months to end-November, climbed 8p to 207p.

The outcome for the year was achieved in spite of an "extremely disappointing" performance from the photographic division which depressed the group's overall margins.

Directors said they were confident of the company's ability to continue generating earnings per share growth, "provided there is no significant worsening of economic circumstances throughout the world."

The rise in profits was struck from turnover ahead 60 per cent to £861.8m (£538.9m) after adjusting for discontinued activities and currency movements. The bulk of the sales increase was attributable to the inclusion for seven months of the Nashua office supply operations acquired in February. Organic growth from the group's existing office products business was 11 per cent.

By contrast, photographic division sales were 10 per cent down on an annualised basis. Hanimex, the Australian photographic equipment distributor, made a first full-year contribution, having been included for just two months in 1989.

Interest expenses were up sharply at £14.4m (£6.3m) even though year-end debt levels were slashed by 64 per cent to £39m. According to Mr Basil Sellers, chairman and chief executive, the group's intention is to "eliminate" bank debt during the current year.

Mr Sellers said that action had been taken to improve the photographic unit's performance by changing management and reining in working capital. Purchasing and warehousing had been centralised and a worldwide product range put in place.

As a result of this, the number of cameras carried had been cut from 77 to 17. However, he said, the business was "inherently lower margin and more volatile" than office equipment.

Fully diluted earnings per share advanced by 16 per cent to 26.7p (23.1p). A final dividend of 6.4p is recommended, making a total of 8.1p (7p).

● COMMENT

These figures confirm that there is life after stencil duplicators and appear to consolidate Gestetner's AFP-led recovery from the tribulations of the early and mid-1980s. Much remains to be done, however, especially on the photographic side where the market has still to be convinced that the Hanimex deal was not a mistake. With 1991 profits of about £65m anticipated, the prospective multiple of a bit above 7 suggests that the shares could be a good defensive bet. This is reinforced by the noises that the group is making on debt reduction and by the fact that 45 per cent of revenues are derived from relatively recession-resistant services and supply functions. Some analysts are inevitably wary of the type of conjuring act that equipment supply companies have been known to perform with residual values and the timing of their profit-taking on term contracts, however. With this in mind, the shares are probably fairly valued.

DIVIDENDS ANNOUNCED

Anglia Sec Homes ...fin	nil	–	0.75	nil	2
Booth Industries ...int	0.7	Feb 14	0.7	–	3.2
Braeway ...int	0.24☆	Mar 8	0.24	-	0.78
Bristol Post ...int	3.75	Feb 8	3.75	-	11.5
Broad Street § ...int	nil	-	0.65	-	0.75
Brunner Inv Tst ...fin	2.3	–	2.05	4.3	3.75
Circaprint § ...fin	nil	-	2.4	nil	2.4
Cont Stationery ...int	1.2	Feb 5	1.2	-	4
Electronic Data ...fin	2.225	Apr 8	1.95	3	2.65
Flexello Castors ...fin	1.67	Feb 15	3.73	3.34	5.4
Gestetner ...fin	6.4	Apr 3	5.6	8.1†	7
Graig Shipping ...int	1	Jan 25	2	-	8.5‡‡
Harcourt ...int	nil	-	0.6	-	1.8
Harris (Philip) ...int	2	Feb 1	2	-	5.75
Ivory & Sime ...int	1.25	Jan 31	1.25	-	5.75
Kleinw't Charter ...fin	3.6	Apr 8	3.175	4.8	4.25
McCarthy & Stone ...fin	0.5	Mar 8	2.64	1	3.95
Melville St ...int	1.5	Jan 25	1	-	4
Mosaic Invests ...int	3.5	Apr 6	3	-	7.35
Micrelec § ...int	1.36†	Feb 12	1.2	-	4
Quiligotti § ...int	0.76	Feb 4	0.76	-	2.2
Southern Water ...int	5.9	Mar 4	–	–	–
Sterling Publg § ...int	1.5	-	1.5	-	6
Welsh Water ...int	6.5	Mar 4	-	-	11.17

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡‡Includes special 3.5p. ☆Share alternative.

Holmes à Court widow sells Really Useful stake

By Andrew Hill

MRS JANET Holmes à Court, widow of the Australian entrepreneur, Robert Holmes à Court, has decided to sell a 6.7 per cent stake in Really Useful Group, giving Mr Andrew Lloyd Webber full control over his former stock market vehicle.

Mr Holmes à Court, who died suddenly in September, began building up his holding after Mr Lloyd Webber, the composer, launched a £77.5m buy-out for RUG in February.

For technical reasons, that bid has now been relaunched on the same terms – 233p cash per share – and Stoll Moss Theatres, which owns the Holmes à Court shares, has agreed to sell out.

Mr Lloyd Webber already controls 92.7 per cent of RUG and under Takeover Code rules he will be able to mop up the final 0.58 per cent compulsorily.

Stoll Moss, a subsidiary of the Holmes à Court vehicle Heytesbury (UK), owns 12 West End theatres and Mr Holmes à Court was interested in adding the Palace Theatre, an RUG asset, to his portfolio.

Really Useful Holdings, the vehicle for the buy-out, said yesterday that it would present "a major production of an existing work" at a Stoll Moss theatre during 1991, and mentioned "significant areas of co-operation" which would benefit both companies. However, Mr Lloyd Webber's advisers stressed that the successful buy-out of the Holmes à Court stake did not depend on agreement about future joint ventures.

Apart from the Palace, Really Useful's principal assets are the copyrights for recent Lloyd Webber musicals. His hit show Phantom of the Opera is being staged at Her Majesty's Theatre, which belongs to Stoll Moss, and Mrs Holmes à Court attended a performance of the show there last Thursday.

The new offer for RUG shares, which were delisted in October, will only stay open for 21 days.

Southern seeks non-core growth

By Clare Pearson

Mr William Courtney, chairman of Southern Water, said yesterday that the company was keen to continue development of the newer businesses outside the core water and sewage operation.

Mr Courtney was speaking as Southern unveiled pre-tax profits of £50.5m for the half-year to end-September.

● COMMENT

Southern was launched with a comparatively meagre initial yield at flotation a year ago as a penalty for its prosperous customer base. Although recently its shares have enjoyed something of a run, it never really lived that down afterwards; so it would not be surprising if the company took that into account in setting the interim payment. Assuming the full-year dividend increase is 18 per cent too, that puts the shares on a prospective yield of over 7.4 per cent. That is a little above the sector average. However, analysts doubt if it is currently at a sufficient premium. Though its K factor (the percentage by which it may raise prices in the core business above inflation) is subject to review, it is set to fall from the current 5.5 per cent within the next four years, and plummet to zero for the following five years. There is a continuing worry about the pressure that will put on it to achieve growth in the newer ventures. There is better value elsewhere in the sector.

New chairman at Caird Group

Caird Group, the waste disposal company for which the Severn Trent water company recently abandoned a bid, has announced the appointment of a new chairman.

Mr John Ashton, former finance director of Coats Viyella, has taken on the non-executive role.

Mr Peter Linacre, who relinquished the chairmanship after Severn Trent got cold feet in October, remains as chief executive.

Caird's share price dived in September after it reported an annual pre-tax profit of £5.6m – £3m below expectations.

Nice clean profits from a dirty business

Richard Gourlay on the reasons behind Shanks' £172m Rechem offer

THERE CAN be few more compelling demonstrations of the adage "Where there's muck there's brass" than yesterday's proposed merger of Rechem Environmental Services and Shanks & McEwan, two of the UK's leading waste management companies.

The £172m Shanks is paying for Rechem, five years after Mr Richard Biffa and Mr Malcolm Lee bought it from BET for £1.6m, speaks volumes for the success of the business. It also shows that very fancy earnings multiples, in this case 16 times prospective 1992 earnings, have returned to a sector that emerged in the 1980s as an unlikely glamour area on the back of an investor scramble aboard the environmental bandwagon.

A merger of two relatively small but highly profitable waste companies might appear to make sense, and will certainly please City investors who will have a far more liquid stock to trade. But, on the face of it, there appears to be only limited commercial logic behind the deal, as Shanks' decision to let Rechem operate as a separate division would seem to confirm.

Shanks has built up one of the largest banks of high quality landfill sites, has added sludges and liquid waste to its traditional solid waste management and was seeking diversification up the technological ladder.

Rechem, for its part, operates two of the UK's three high temperature incinerators which process toxic wastes like polychlorinated biphenyl (PCB) and other special wastes but was constrained from expanding into the ownership of large landfill sites by lack of financial muscle, in spite of its healthy margins.

The two companies have moved alongside one another. But in few areas do their businesses overlap, they share few common customers and there are no obvious opportunities for economies of scale.

As a result, the two-for-one share offer, valuing each Rechem share at 645.5p and the issued capital at £171.6m, looks a good price for Rechem and expensive for Shanks.

Taking up the cash alternative for 30 per cent of their shares, Mr Lee and Mr Biffa will each net more than £10m and will become Shanks' largest shareholders after Hanson, the UK conglomerate.

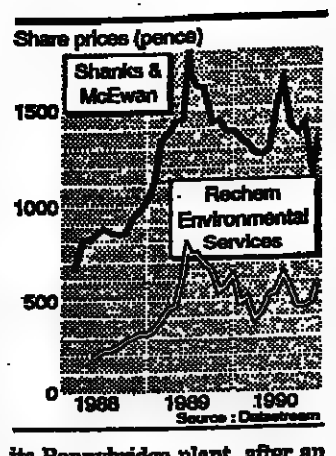
Mr Biffa and Mr Lee will remain chairman and managing director respectively of Rechem reporting to Mr Roger Hewitt, Shanks group managing director, and both will be invited onto the Shanks board.

There are other reasons why some analysts say the price for Rechem is too high. They suggest that tighter EC directives might further impede the movement of toxic wastes across national borders. This would hurt Rechem as 30 per cent of its sales and nearly 40 per cent of its profits come from imported waste.

In addition, industrial customers are increasingly trying to cut their output of waste. ICI, for example, will soon be penalising its own divisions for producing too much waste.

Then there is the constant risk when dealing with toxic waste of actual or perceived risk of damage to the environment or to people near the incineration plants and the ensuing adverse publicity.

Rechem was officially given a clean bill of health in 1985 at its Bonnybridge plant, after an inquiry had considered reports from paediatricians who had noticed that in the area a disturbing number of babies had been born with deformities.



Finally, there is increased competition from waste management companies homing in on Rechem's margins. The closest to starting up is Leigh Interests, which is currently appealing against a rejected planning permission for a new incinerator in Doncaster.

Shanks, however, sees things differently. Mr Hewitt believes Shanks has identified the kind of development in the waste management sector that it saw in the mid-1980s when it acquired 60 years' worth of holes in the ground from Hanson's London Brick in return for 17 per cent of its shares.

Since then Shanks' earnings per share have grown at 20 per cent per year and sales have risen to £111.5m in 1990. Shanks believes the merger with Rechem will still allow earnings to grow above the 20 per cent line and points out that both companies are trading on similar ratings.

Leigh's planning permission problems in Doncaster highlight the key reason why Shanks is buying Rechem and why the price, on further analysis, is less steep.

"Shanks has bought consent to operate incineration plants, so you have to look at the earnings stream and not at the assets," said one analyst.

In addition to not wanting a five-year delay before being allowed to open a new incineration plant, one banker has suggested that Shanks, as a well-known landfill operator, might also have feared the publicity from an application to become an incinerator operator.

However the Shanks merger develops, the waste management sector has been transformed beyond recognition over the past six months.

In September, Leigh bought HT Hughes. Then Severn Trent, the water company, acquired a 29 per cent stake in Caird Group, during its aborted takeover bid. An industry assumption is that Severn Trent will re-bid at a lower price when it is allowed to by Stock Exchange rules.

Another possible change is at Attwoods, which is 37 per cent owned by Laidlaw, the Canadian waste management group. An agreement not to make a hostile bid for Attwoods expires at the end of the year, triggering analysts' speculation that Laidlaw might make a move for control some time in 1991.

Attracted by the multiple offered yesterday some analysts think next year may also bring a flurry of aggregates companies floating off waste management subsidiaries in an effort to repeat Shanks' and Rechem's alchemy.

Zurich Group shows big loss and seeks support

By Maggie Urry

ZURICH GROUP, the USM-quoted property, construction and Ford dealership company, yesterday revealed heavy losses and said it was seeking support from its bankers for a refinancing.

As a result, the group had been unable so far to obtain an unqualified auditors' report on its accounts for the year to end-January. The shares fell from 8p to 4p.

However, Mr David Innes, managing director who is one of a new management team installed during 1990, said that it had approached its largest shareholders, which control about 65 per cent of the shares. These are expected to support a refunding package, to be finalised in the new year. This would involve a placing and rights issue, probably in two stages.

Debt at the financial year end was £18.7m and interest charges were "a continuing drain on the group's resources" Mr Michael Dee, the new chairman, said. Net assets were £5.3m or 5.4p per share (£13.8m or 14p per share).

Mr Innes said debt was being brought down by property sales, which should raise £5m by the current year end.

For the 12 months to end-January turnover was £41m (£18.6m in the previous nine months) and pre-tax losses were £9.3m (profit £3.5m). The loss included an exceptional write down of properties of £6.6m and £1.5m of interest following a change in accounting policy so that interest on property loans is written off instead of capitalised. A £520,000 provision was also made for a bad debt. The loss per share was 8.5p (earnings of 2.7p).

For the six months to end-July, the pre-tax loss was £1.4m (loss £556,000) and the loss per share 1.5p (0.6p).

Mr Innes said the Lindsay Baines Ford motor dealership was trading profitably after interest, while the construction company was taking on work, although at a lower rate of profitability.

Proposed sale of Tace stake runs into problems

By Jane Fuller

MR JOCK Mackenzie's sale of his family's 21 per cent stake in Tace, the maker of pollution control equipment, has run into trouble with the purchaser announcing that it is pulling out.

The response from Mr Mackenzie, chairman of Tace, was that he would take legal action for breach of contract against Jannock Investments, the Jersey-based vehicle of Mr David Mooney, a Canadian financier.

The sale of the Mackenzie stake to Jannock was announced on November 23.

Jannock was to buy 2.1m shares (representing 21.1 per cent of the company) for 285p each, a premium of 99p to that day's closing price, making a total payment of £5.9m.

Tace's share price fell 5p to 140p yesterday, giving it a market value of £13.7m.

Shares of Goring Kerr, the quoted metal detector group 51 per cent owned by Tace, also slipped 5p yesterday, to 186p.

In a short press release yesterday morning, Jannock said there was no binding agreement with Mr Mackenzie and it did not intend to proceed. It had taken legal advice.

Had the deal gone through, Mr Mooney was set to become chairman. Mr Mackenzie, and his son Johnny were to resign to pursue other business interests.

Mr Robert Waddington, of Hambros Bank, which announced the deal in November, said if there had been any doubt at the time, either the statement would not have been put out or conditions would have been mentioned. But there seemed to be no conditions in the agreement, which had been signed.

Tace said its results for the year to September 30, to be announced in January, would show a significant improvement on the previous year's £3.2m (£3.6m) taxable profit, made on turnover of £34.3m (£27.1m).

UK COMPANY NEWS

Doubled deficit at Anglia Secure Homes

By Andrew Taylor, Construction Correspondent

ANGLIA SECURE Homes, the retirement homes developer, will not be paying a dividend following a £8.89m loss during the 12 months to September 30.

This compares with a deficit of £4.45m in the previous year when the group declared a final dividend of 0.75p towards a total of 2p. Losses per share worked through at 35.6p (12.9p).

The result comes soon after McCarthy & Stone, the biggest builder of retirement homes, cut its final dividend by more than three quarters.

McCarthy on Friday announced that it had incurred a pre-tax loss of £10.8m for the 12 months to end-August.

Anglia's losses included a provision of £6.45m (£8.16m) due to the writing off of interest against undeveloped land.

Mr Peter Edmondson, chairman said: "In 1990 the housing market in southern England succumbed to a state of near paralysis and any hopes of revival evaporated when interest rates remained high. The situation has deteriorated to an extent unknown in previous housing recessions.

"The board's aim during this difficult period was, and still is, to generate cash from sales where possible, even if we do so at the expense of profit. It is a salutary fact that in our areas of operation housing values have reduced by up to 35 per cent since 1988."

Anglia sold 443 appartments during the the year compared with 455 the previous year.

Revenue from sales totalled more than £30m which enabled the group, with the help of a right issue, to reduce borrowings from more than £50m to £35m compared with shareholders funds of £32m.

The issue, which raised just over £9m, included a cash injection of several million pounds from Commercial Union which has taken a 12.2 per cent stake in the group.

● COMMENT

It is debatable whether Anglia would have survived without the support of Commercial Union. It is now reshaping its business to sell to an even older group of elderly – the over 80 year olds. It argues that this sector of the market is less cyclical. The infirm elderly cannot postpone a move to more sheltered accommodation when the housing market gets tough as have the so called young elderly in the 65-75 age group. The advantage to Commercial Union is that it will have a new market to which to sell its investment policies. It will take time, however, for Anglia to change tack. Meanwhile the market looks like being just as bloody in 1991 as it was in 1990 with the retirement market not expected to recover until after the general housing market picks up.

Peter Edmondson: housing values reduced by up to 35%

NEWS DIGEST

Electronic Data rise bucks trend

BUCKING THE general industry trend, Electronic Data Processing, the computer company, more than doubled pre-tax profits from £1.04m to £2.1m in the year to September 30.

Turnover was up less dramatically at £16.65m (£16.03m) and below the line there was an extraordinary debit of £243,000 relating to an aborted North American acquisition. Earnings soared to 17.38p (8.45p) per share and the final dividend is a recommended 2.225p (1.95p) to make 3p (2.65p) for the year.

Mr Michael Heller, chairman, said: "These excellent results reflect the successful sales of Mentor computer systems."

Ivory & Sime

Ivory & Sime, the Edinburgh-based fund manager where a new management was installed in July, reported a 22 per cent fall in pre-tax profits, from £1.58m to £1.22m, for the half year to October 31.

Administrative expenses rose 16 per cent to £5.4m, against turnover up 9 per cent to £6.2m. The costs included exceptional payments of £190,000 for loss of executive office to Mr Alex Hammond-Chambers, now non-executive rather than executive chairman, and Mr Ian Rushbrook, formerly deputy chairman and now a non-executive director.

Earnings per share were down 19 per cent at 2.51p (3.1p) and the interim dividend is unchanged at 1.25p. The current intention is to maintain the total at 5.75p based on the prospect of higher earnings, though that was subject to stock market movements.

Bristol Evening Post

A sharp decline in profits was announced by Bristol Evening Post, the West Country newspaper group in the sights of Mr David Sullivan, the Sunday Sport publisher.

The pre-tax outcome for the six months to end-September fell by nearly 28 per cent – from £4.17m to £3m. Mr Andrew Breach, chairman, said the six months had been difficult for the group, which owns newsagents and a television production company as well as newspapers.

Both the Evening Post and the Western Daily Press had increased circulation but overall advertising revenue fell by £1.2m and seemed likely to remain depressed in the second half.

Turnover fell only marginally to £31m (£31.18m). Earnings per share, however, dropped from 10.68p to 7.9p. The interim dividend is unchanged at 3.75p.

ML Labs

ML Laboratories has made further significant progress in the development of its main product – glucose polymer for use in the treatment of kidney failure – and the coming year will see the final trial completed and the licence application compiled.

Reporting for the year to September 30, directors said the loss had increased from £11,000 to £116,000. A rise in investment income was insufficient to offset increases in administration costs, depreciation and interest payable.

John Swan

The difficult trading conditions in the livestock sector hit John Swan & Sons in the half year to October 31. Pre-tax profit fell from £196,000 to £133,000.

The group operates as livestock auctioneers and estate agents in Scotland.

Turnover fell to £616,000 (£647,000) and operating profit to £125,000 (£193,000). Earnings per share were 14.8p (18.9p).

Total Systems

A better second quarter enabled Total Systems, a supplier of computer software and hardware, to record pre-tax profits of £20,000 in the six months to September 30, although it was half the comparable figure.

The last three months saw an increase in turnover to give a rise for the half year of nearly 12.5 per cent to £967,000 (£860,000).

TR Technology

Over the six months to October 31, total net assets at TR Technology fell by 15 per cent, with the burden of the drop being entirely borne by the ordinary shares.

Net assets attributable to zero dividend shares rose 5.9 per cent to 133.08p per share, to stepped preference shares they were up 2.4 per cent to 112.68p, but to the ordinary they collapsed by 70 per cent to 35.2p, from 118.25p.

Total revenue came to £3.45m, against £3.53m, and earnings per share reached 1.99p (1.61p).

Amberley

Amberley Group, the USM-quoted building preservation specialist, showed a reduction from £211,000 to £183,000 in pre-tax profits for the six months to September 30.

The year's dividend is expected to be at least maintained.

The dry and warm weather again hit demand for the major services of damp prevention, and turnover fell from £1.82m to £1.52m. Considerable rainfall recently in the two main operating areas of France and Belgium should be turned into an improved rate of profitability for the rest of the year.

Kleinwort Charter

Net asset value per share of Kleinwort Charter Investment Trust stood at 157.8p at November 30 compared with 191.4p a year earlier.

Net revenue improved from £4.4m to £4.97m for earnings per share of 6.14p (5.44p). A final dividend of 3.6p is recommended for a 4.8p (4.25p) total.

Secure Trust

The Arbuthnot Latham merchant banking name has been acquired by Secure Trust, the Birmingham-based banking and financial services group.

Secure is also buying Arbuthnot Fund Managers, with £132m of funds under management. The total consideration is £625,000 cash.

The seller is General Accident which acquired the Arbuthnot Latham group as part of a package when it bought NZI insurers. GA was not interested in expanding the banking side and it has been gradually disposing of it.

Flexello

Flexello Castors & Wheels finished the year to September 30 with a pre-tax loss of £497,000, following on the £378,000 reported at halfway.

The loss compared with profits of £949,000 for the whole of 1988-89. A final dividend of 1.67p cuts the total from 5.4p to 3.34p. Loss per share worked through at 10.56p (earnings 20.45p).

Sterling Publishing

Interest charges up from £266,000 to £932,000 meant pre-tax profits of Sterling Publishing Group dropped from £929,000 to £904,000 for the half year to September 30, in spite of increased turnover of £13.82m, against £7.39m.

Earnings per share dropped from 2.56p to 1.15p. The interim dividend, however, is maintained at 1.5p. The company's shares are traded on the USM.

Cont Stationery

Profits of Continuous Stationery, the business forms and stationery group, fell from £916,000 to £834,000 pre-tax for the six months to end-September.

Turnover totalled £8.95m (£10.05m) and after tax of £291,000 (£321,000) earnings emerged at 3.21p (3.52p). The interim dividend is a same-again 1.2p.

An extraordinary provision of £476,000 (nil) reflected in part the closure of the forms manufacturing plant in Nottingham.

COMMODITIES AND AGRICULTURE

London raw sugar trading moving on to screens soon

By David Blackwell

LONDON'S RAW sugar trading will move from open outcry to screen trading early next year, in spite of opposition from some market users.

The sugar committee at the London Futures and Options Exchange (Fox) yesterday voted overwhelmingly in favour of the move. Mr Mark Blundell, chief executive of Fox and a keen advocate of screen trading, said the move would allow wider participation in the market, boosting liquidity.

Fox already has 16 customers using its screen system, known as 'Fast', to trade white sugar. The exchange expects the number of screens used for trading sugar to rise to "something like 30" once raw sugar moves onto the screens.

Mr Blundell said the committee believed screen trading was the right way forward for the exchange to meet the challenge of the growing European market and the development of automation in the US. "We want to lead the market and not be dragged there."

White sugar screen trading was launched in 1987 and succeeded in winning back to London a lot of business which had been going to Paris. Since then, Fox has launched screen based contracts in rubber, rice and a base metals index. It is also planning several others.

However, rubber and rice are hardly traded. Only the base metals index contract has had anything like the same success as the white sugar market, which itself has been trading between 1,000 and 2,000 lots (of 50 tonnes) a day.

Mr James Gray, general manager of the commodities division of GNI, a large London futures broker, said yesterday that the decision to move raws on to the screen system "seems to restrict the market to an even smaller group than currently uses it. It is an inappropriate medium in which to develop volume and liquidity", he added.

The experience of Chicago and New York (which has a thriving sugar contract) and the IPE and Liffe in London, had shown that pit trading was the only way to develop liquidity, he said.

Locals – traders who operate for their own accounts thus raising trading liquidity – are also against the move. Mr Roger Willis, a local who operates in the sugar market, said they were very disappointed that it had gone through despite their protests and those of a number of other users.

He claimed that some market clients would not use the London market once it was screen based.

Mr Blundell denied that the decision would reduce business or cut the locals out. The 'Fast' system had proved to be reliable and viable, he said, and the exchange would provide the locals with as many screens as they needed to continue trading.

Mr Jon Payne, chairman of the Fox sugar committee, said the exchange "would have to convince the doubting Thomases.

"It was a very difficult decision to take, simply because it's an emotive subject", he said. However, the move had been backed by the big three companies in the London sugar trade – Czarnikow, E.D.&F.Man and Sucden.

Too many fishing boats chase too few fish

James Buxton analyses another conflict within the EC, this time over catch quotas

MR WILLIE HAY, the amply-proportioned former fishing skipper who is president of the Scottish Fishermen's Federation, makes no bones about it: "It's very difficult to stop fishermen catching fish".

EC fisheries ministers will confront that very problem tomorrow when they sit down to decide the permissable catches in the EC and rules for fishing next year. It is unlikely that what they agree upon will either please the fishermen or go very far in dealing with the basic issue confronting them: the alarming decline in North Sea fish stocks.

Scientists first became aware of the serious decline in stocks of haddock, cod, whiting and plaice in the North Sea in 1987, after several years in which fishermen had enjoyed rising catches and incomes and had invested in new boats. Fishermen argue that the scientists' tardiness in exposing the depletion of fish stocks makes them sceptical about current predictions of doom.

The EC fisheries ministers reacted to the warnings of the scientists by imposing sharp cuts from 1988 in total allowable catches (TACs). The UK's share of the TACs for cod, haddock, plaice and whiting had fallen to 58 per cent of the 1987 catch by 1990.

This year, the UK share of the EC haddock quota fell by about a third to 55,000 tonnes – divided between the North Sea and the west coast – provoking outrage among fishermen, who had to agree that they would fish for haddock during only 92 days of the year.

However, to the surprise of the fishermen and the modest satisfaction of the government, whitefish landings up to October in Scotland (where nearly three-quarters of the British fish catch, by volume, is landed) were up 15 per cent in value, despite a 14 per cent drop in volume.

Yet it would be misleading to conclude that market forces can resolve the industry's problems. Fishing industry experts warn that if prices continue going up fish could soon encounter consumer resistance.

"You'd be hit by two pressures at once – the market would dry up while the natural resource was wiped out," said one.

Ashley Ashwood

Trawlers galore: a cluttered scene at Peterhead port on the Scottish North Sea coast

The scientists of the advisory committee on fishery management of the International Council for the Exploration of the Sea who advise the EC Commission say there should be a 30 per cent reduction in fishing next year. They say that the spawning stock bio-mass – the weight of adult fish in the stock which are capable of producing eggs – is far too low in the case of haddock and cod to ensure for the stock a viable future.

It is not known whether the size of the spawning stock biomass is directly related to fishing effort or is affected by other factors, such as water temperature or predation by other fish. But it is clear that relentless fishing means an unbalanced age structure for the fish stock, making it highly vulnerable to fishing.

Even though the scientists found that there could be a recovery of the spawning stock of haddock in the North Sea in 1992-93, their recommendation was that the fish need a break. Yet this slight improvement could provoke calls this week for the TAC for haddock to be raised.

The fundamental problem is that there are too many fishing boats for the quantity of fish available. Although the UK agreed in 1986 to the EC target of a 3 per cent reduction in the size of its fleet by 1991, its fleet has in fact grown to be 22 per cent above target, while the fishing opportunity (in terms of TACs) has fallen by 42 per cent since 1987.

To many it all adds up to a strong case for reducing the size of the fishing fleet. Last month, Mr Manuel Marin, the EC fisheries Commissioner, proposed that there should be an average cut of at least 40 per cent in the EC fishing fleet over five years from 1992.

"At last someone in a position of significance has stood up and said what we've all been thinking: that unless we actually develop a policy to recover the stock we will just go on downhill", said one fishing expert in Scotland.

However, the issues on the agenda for tomorrow's and Thursday's meeting are more narrowly focused on next year's fishing effort. As well as reductions in the TACs for cod of about 18 per cent and haddock of 9 per cent the Commission has made further suggestions, based partly on the belief that previous measures to curtail fishing have not been fully observed.

This is acknowledged by Mr Hay who says: "The further they cut the TACs the more the fishermen break them." It is common knowledge in Scotland that there has been much infringement of the 1990 haddock quota, with boats making clandestine landings of illicitly caught fish at remote ports. The 92-day restriction for haddock was hard to enforce because the boats were allowed to stay at sea when not fishing.

The Commission proposes that all boats fishing for cod and haddock should tie up in port for 10 consecutive days each month – a plan which fishermen say could force them to go out in dangerous conditions. It also wants to see the size of the mesh in nets raised from 90mm to 120mm to allow the smaller fish – breeding stock for future years – to escape.

The Sea Fish Industry Authority, which provides technical and financial assistance to the industry, has demonstrated that with a 120mm mesh, North Sea fishermen would catch very little but believes an increase to 110mm would be possible. The fishermen say that any increase at all would be disastrous. A trade-off might be possible between an increase in mesh size and a reduction in the number of days tied up.

However, many people in the industry see measures such as these as mere panaceas, which would be difficult to enforce and which, if effective, would produce a sharp drop in revenue without tackling the basic problem of fishing fleet overcapacity.

"The surest way of reducing the fishing effort is taking boats out of the fleet through a de-commissioning scheme", says Mr Hay. It is clear that he has the sympathy of the Sea Fish Industry Authority and of civil servants in the Scottish office. Yet so far, ministers in the Scottish office and in the ministry of agriculture have rejected the idea.

A variety of arguments are advanced against using taxpayers' money to scrap fishing boats, many of which were built in the first place with taxpayers' help. At the root of it is a rejection by the government of the idea that it can be the arbiter of the size of the fishing fleet, compounded by unfortunate memories of a poorly-administered de-commissioning scheme in 1984-86, when much of the £18m spent was taken up by a few large boats which has already been withdrawn.

The Sea Fish Industry Authority has estimated that to make the 22 per cent cut in the fleet which the UK should be making under the existing EC plan would cost about £70m of which £40m would come from Brussels.

It believes that a carefully-targeted scheme could be devised for the post-1992 period, to eliminate the excess boats licensed to fish the most tightly rationed fish species.

However, de-commissioning would not be painless. It would knock the bottom out of the second-hand boat market and could put boatbuilders out of business. In Scotland alone, 8,300 people are directly employed by the fishing industry and a further 16,500 work indirectly as fish processors and equipment suppliers. The government must be reluctant to threaten their livelihoods, although, unfortunately, their livelihoods are under threat anyway.

Gold price to reach $700, says Gengold

By Kenneth Gooding, Mining Correspondent

THE COMING bull market in gold bullion will take the price up to about US$700 a troy ounce and will last about five years, suggests Mr Gary Maud, managing director of Gengold, the gold producer within General Mining Union Corporation (Gencor), second-largest South African mining finance house.

However, it will be a year or two before that bull market gets under way, too late to save some of a dozen South African mines under threat today because of rising costs and low precious metals prices.

He says: "1991 will be a tremendously difficult year for gold producers".

Mr Maud points out that the South African gold mining industry has been "crying wolf" about potential closures for two years. "But we *will* see closures in the next six months: I would not be surprised to see five mines close before next June."

The gold price will eventually be propelled upwards by a flattening off in new supplies and by tremendous demand from the Far East says Mr Maud. That demand will assert itself again once problems in the Japanese financial and property sectors stabilise.

Gengold is already getting its mines into a position where it could take immediate advantage of the coming rise in the gold price because the bull market would be relatively short – five years. "I want to see my mines in first-class condition with spare capacity to take advantage of any increase in the gold price. The [market] cycles are getting shorter and those companies which can expand quickly into the upturn will get most benefit."

There will be some benefits to flow from mine closures in South Africa. For example, without them Gengold will be short of skilled people when the upturn comes.

Two of the 15 mines under Gengold management are candidates for closure because of market conditions, Mr Maud suggests, while a third, Braken, is to close because its reserves are exhausted.

The two mines under threat – Grootvlei and Stilfontein – have been offered South African government loans but Gengold was not in favour of these. If necessary, it would prefer to close them while there was still cash to fund redundancies and rehabilitation.

South Africa's gold mining industry has changed considerably in the past few years, Mr Maud points out. "If you are not managing your mines well you go out of business. It was not like that 10 years ago."

Brazil forecasts higher grain and oilseeds harvest

By Victoria Griffith in Sao Paolo

BRAZIL will harvest between 62m and 65m tonnes of grains and oilseeds next year, according to a forecast made by Companhia de Financiamento da Producao (Company for Production Finance), a government agency. These estimates put production well above the 58m tonnes grown this year, but far short of the 72m tonnes produced in 1989.

According to the CFP, only soyabean production will suffer a fall. The harvest will decline 14-19 per cent, yielding about 17m to 18.3m tonnes. The fall is due to poor weather during the planting season this year, and a lack of credit available to Brazilian farmers.

Many growers substituted soyabean fields with cheaper crops such as corn and rice during the season.

The rise in production should not place inordinate downward pressure on prices, since this year's poor harvest induced consumption of most of the government stocks according to the CFP. Supplies were so low this year that Brazil had to buy abroad products, such as rice and kidney beans.

Frangosul S.A. Agro Avicola Industrial, one of the importers, purchased 114,000 tonnes of maize from Argentina this year. CFP based forecasts on the size of the planted area.

Malaysian commodities face mixed outlook as taxes are abolished

MALAYSIA has abolished import and export taxes on rubber, pepper and all minerals and has given a mixed forecast for its five main non-oil commodities, writes Lim Siong Hoon in Kuala Lumpur.

The tax move, announced last week by Mr Daim Zainuddin, the finance minister, is expected to aid processing industries, such as the country's two tin smelters. State revenues from the taxes were considered insignificant.

Tin faces the bleakest prospect, according to the latest estimates: Production is forecast to decline by nearly 7 per cent from 29,000 to 27,000 tonnes, the lowest quantity since 1947. The average Kuala Lumpur spot price may remain unchanged for this year at the M$16.50 estimated.

The decline in domestic tin concentrate production means that the smelting industry must now rely on imported ore to meet their annual combined capacity of 52,000 tonnes.

Cocoa production is expected to grow by 3.7 per cent to 280,000 tonnes. This is the slowest rate after 10 years of mostly double-digit growth. The average export price is predicted to fall by 9.4 per cent to M$2,400 ($895) a tonne.

Timber production could fall by 5 per cent from 40m to 38m cubic metres, with a marginal 2.5 per cent increase in price to M$205 ($76) per cubic metre.

Palm oil production is forecast at 6.8m tonnes, up 4 per cent from 1990's estimate of 6.5m tonnes, but up 8 per cent based on the more realistic estimate by producers of 6.3m tonnes. The average price, at M$680 ($251) a tonne, compares with the M$670 1990 estimate.

After two years of decline, rubber production is expected to recover slightly to 1.4m tonnes from 1.35m last year. RSS No1, the Malaysian benchmark grade, is estimated at M$2.25 a kilogram compared with M$2.30 this year.

Malaysia's other main commodity products are crude oil and natural gas: planned output of the first is 640,000 barrels per day and, of the second, 8.1m tonnes for 1991. The figures represent increases of 2.2 per cent and 20.3 per cent respectively.

WORLD COMMODITIES PRICES

MARKET REPORT

Copper prices on the LME closed around the day's highs on short covering. Dealers said copper recovered strongly after testing but failing to breach support at $2,450 a tonne for three month metal. But solid overhead resistance remains in the $2,525/$2,530 area. By midday Comex copper was trading higher on short covering by commission houses and speculators. LME lead prices fell as consumer demand continued to soften. On the London bullion market silver closed off the bottom after a morning fix at a 15-year low of 395 cents a fine ounce. "The market has been quiet all day, apart from a small burst of selling activity around mid-morning...it drifted lower during the fix on lack of interest," one dealer said. The nearby London robusta coffee contract fell sharply on reasonably heavy trade selling. In Chicago rumours of Soviet tenders had lifted maize and soyabean prices by midday. London freight futures were also boosted by talk of Soviet interest. The Soviets have been expected in the markets since last week's announcement that the US had lifted some trade restrictions and offered Moscow export credit guarantees of up to $1bn for food purchases.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$21.90-2.20z	-.35
Brent Blend (dated)	$27.90-8.00	-.15
Brent Blend (February)	$26.10-6.15	-.225
W.T.I. (1 pm est)	$26.55-6.58z	-.135
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$249-253	+3.5
Gas Oil	$265-267	
Heavy Fuel Oil	$137-139	-1.0
Naphtha	$263-266	+1.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$376.80	+2.65
Silver (per troy oz)♣	395.00c	-1.40
Platinum (per troy oz)	$416.50	-1.80
Palladium (per troy oz)	$87.50	-0.25
Aluminium (free market)	$1505	-40
Copper (US Producer)	115¾c	+⅜
Lead (US Producer)	50c	
Nickel (free market)	365c	-2
Tin (Kuala Lumpur market)	15.26r	+0.09
Tin (New York)	285c	-1
Zinc (US Prime Western)	70c	
Cattle (live weight)†	105.60p	-5.90*
Sheep (dead weight)†	141.79p	-5.07*
Pigs (live weight)†	78.46p	-1.46*
London daily sugar (raw)	$248.4w	-0.60
London daily sugar (white)	$303.3w	-1.30
Tate and Lyle export price	£235.5	+0.60
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£163.50	
Wheat (US Dark Northern)	£97	
Rubber (Jan)♥	50.00p	
Rubber (Feb)♥	50.25p	
Rubber (KL RSS No 1 Jan)	240.0m	-0.50
Coconut oil (Philippines)§	$340.0w	+27.5
Palm Oil (Malaysian)§	$350v	+10.0
Copra (Philippines)§	$232.5t	
Soyabeans (US)	£140	+1
Cotton "A" index	84.45c	+0.35
Wooltops (64s Super)	414p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Feb. v-Jan. w-Dec/Jan z-Jan/Feb. x-Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	216.20	215.40	216.20	215.00
May	219.00	217.80	218.20	218.00
Aug	222.40	221.20	222.00	221.80
Oct	222.00	220.40	222.00	
White	**Close**	**Previous**	**High/Low**	
Mar	303.5	300.5	302.5	300.3
May	302.0	299.5	300.5	299.5

Turnover: Raw 1601 (882) lots of 50 tonnes. White 271 (610)
Paris- White (FFr per tonne): Mar 1533, Aug 1582, Oct 1494.

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Feb	25.67	25.29	26.65	25.95
Mar	24.45	24.11	25.44	24.80
Apr	23.00	23.20	24.00	
IPE Index	27.58	26.36		

Turnover: 10851 (16002)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Jan	253.50	253.25	259.00	252.00
Feb	240.75	241.50	246.25	239.25
Mar	220.25	223.25	231.25	219.50
Apr	209.25	206.25	219.00	209.00
May	201.00	202.00	208.00	203.50
Jun	200.00	199.00	203.00	198.25
Jul	195.50	198.00	198.00	

Turnover 8590 (12329) lots of 100 tonnes

TEA

A strong demand prevailed for the larger quantity on offer reports the Tea Brokers' Association. Good liquoring Assams met keen competition at fully firm to dearer rates. Bright liquoring Africans were often several pence higher, together with selected good mediums and coloury dusts. Ceylons came in for more enquiry with prices firm to dearer. Offshore teas met fair demand and were about steady at last rates apart from some plainer lines which were neglected. Quotations: Nominal 220p, medium 135p and low medium 83p.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Dec	692	696	693	695
Mar	685	693	692	684
May	719	728	725	718
Jul	744	752	760	743
Sep	766	779	776	766
Dec	795	805	804	795
Mar	822	831	830	821

Turnover: 2316 (2518) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec 14 915.49 (915.04) 10 day average for Dec 17 926.63 (932.12)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Jan	622	642	639	620
Mar	590	599	598	590
May	596	600	599	595
Jul	612	614	612	610
Sep	629	630	628	

Turnover: 1881 (1848) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec 17: Comp. daily 74.68 (75.25). 15 day average 72.84 (72.48)

POTATOES – BFE £/tonne

	Close	Previous	High/Low	
Apr	133.5	136.9	136.5	132.9
May	152.5	156.5	152.5	152.0

Turnover 323 (103) lots of 40 tonnes.

SOYAMEAL – US-PRO £/tonne

	Close	Previous	High/Low	
Feb	118.50	117.50	118.50	117.50
Apr	120.50	119.50	120.50	
Aug	123.00		123.00	
Oct	125.00		125.00	

Turnover 95 (75) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low	
Dec	1435	1427	1440	1430
Jan	1436	1390	1435	1400
Apr	1335	1310	1335	1315
Oct	1170	1155	1175	
BFI	1437	1441		

Turnover 245 (210)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low	
Jan	119.35	118.40	119.35	118.50
Mar	122.60	122.75	122.60	122.00
May	126.20	126.25	126.20	126.00
Barley	**Close**	**Previous**	**High/Low**	
Jan	115.45	115.50	115.45	
Mar	119.50	119.40	119.30	119.10

Turnover: Wheat 180 (282). Barley 468 (56).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Feb	90.0	89.0	89.5

Turnover 8 (61) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 29,472 lots
Cash	1517-22	1519-21	1517/1500	1500-1		
3 months	1554-5	1553-4	1568/1537	1540-1	1558-60	64,786 lots
Copper, Grade A (£ per tonne)						Total daily turnover 26,688 lots
Cash	1294-5	1271-2	1294/1271	1287-8		
3 months	1301-5	1286-7	1302/1286	1295-6	1305-7	111,246 lots
Lead (£ per tonne)						Total daily turnover 3,084 lots
Cash	319-20	326-30	322/319	319-20		
3 months	331-2	337-8	336/330	331-2	331.5-2	11,632 lots
Nickel ($ per tonne)						Total daily turnover 2,372 lots
Cash	7800-50	7920-45	7860	7840-50		
3 months	7840-50	7900-25	7900/7825	7840-50	7860-60	5,517 lots
Tin ($ per tonne)						Total daily turnover 1,925 lots
Cash	5730-5	5790-810	5730/5700	5701-3		
3 months	5820-30	5860-70	5880/5800	5810-5	5810-20	9,505 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 5,782 lots
Cash	1260-5	1275-80	1253/1251	1251-3		
3 months	1260-2	1265-8	1265/1250	1250-2	1263-5	20,012 lots

LME Closing £/$ rate: SPOT: 1.9305 3 months: 1.9034 6 months: 1.8808 9 months: 1.8619

BIFFEX – London FOX

	Close	Prev.	High	Low	Vol
Indx	155.20	156.40			
Dec	157.00		57.00		80
Jan	158.00	160.10	58.00		102
Feb	158.00	160.50	58.00		98
Mar	158.00	159.70	58.00		102
Jun	158.70	158.70	58.70		98

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	376.40-376.80	
Opening	376.40-376.90	
Morning fix	376.85	194.625
Afternoon fix	376.30	194.873
Day's high	377.30-377.70	
Day's low	376.30-376.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.52	6 months	5.34
2 months	5.43	12 months	5.31
3 months	5.37		

Silver fix	p/fine oz	US cts equiv
Spot	204.40	395.00
3 months	211.25	402.45
6 months	217.75	410.00
12 months	230.10	425.05

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1450	85	118	2	16
1550	16	58	32	51
1650	1	21	116	115
Copper (Grade A)	**Calls**		**Puts**	
2400	112	140	5	64
2500	39	89	31	111
2600	7	52	99	173
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
550	71	55	0	15
600	23	27	2	37
650	1	13	30	73
Cocoa	**Mar**	**May**	**Mar**	**May**
650	57	89	23	29
700	32	58	48	40
750	17	38	83	70
Brent Crude	**Feb**	**Mar**	**Feb**	**Mar**
2500	340	340	·	290
2550				
2600				

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	377.5	376.7	378.5	377.5
Jan	378.2	377.5	0	0
Feb	379.3	378.6	380.5	378.8
Apr	382.8	382.0	384.0	382.2
Jun	386.5	385.5	387.5	386.3
Aug	389.9	388.9	390.6	390.0
Oct	393.1	392.2	393.6	393.6
Dec	396.7	395.5	397.3	396.5
Feb	400.3	399.1	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	411.0	412.2	413.0	410.1
Apr	416.5	418.1	418.0	416.0
Jul	421.0	422.3	422.0	421.0
Oct	425.5	426.0	425.5	425.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Dec	395.6	393.7	395.5	393.0
Jan	397.2	395.3	0	0
Feb	399.8	397.9	399.0	399.0
Mar	402.4	400.5	402.8	399.0
May	407.8	405.9	407.5	405.0
Jul	413.1	411.2	412.0	410.0
Sep	418.5	416.6	417.5	417.0
Dec	426.1	424.2	426.0	423.0
Jan	428.1	426.2	0	0
Mar	434.3	432.4	433.0	432.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	111.85	111.20	112.50	110.40
Jan	111.10	110.60	111.95	110.35
Feb	110.10	109.60	110.70	109.40
Mar	108.50	108.00	109.40	107.40
Apr	107.50	107.10	108.00	107.10
May	106.40	106.00	107.10	106.00
Jun	105.35	105.05	105.40	105.30
Aug	103.70	103.60	0	0
Sep	103.00	103.00	103.00	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Jan	27.05	26.55	27.88	27.05
Feb	26.21	25.67	26.86	26.25
Mar	25.25	24.78	25.88	25.35
Apr	24.33	23.91	24.90	24.40
May	23.61	23.21	24.05	23.70
Jun	23.03	22.65	23.55	23.05
Jul	22.50	[illegible]	22.60	[illegible]

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Jan	7473	7524	7750	7450
May	6230	6250	6450	6350
Jun	6040	6055	6215	6180
Jul	5985	5980	6115	6100
Aug	6000	6015	6680	6130

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1169	1220	1223	1164
May	1208	1258	1260	1206
Jul	1246	1293	1293	1245
Sep	1286	1330	1325	1290
Dec	1321	1366	1340	1325
Mar	1361	1400	1374	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	93.10	94.35	94.15	93.05
May	95.50	96.70	96.40	95.60
Jul	97.75	98.95	98.50	97.70
Sep	99.80	101.00	.75	99.75
Dec	102.90	104.00	103.50	103.35
Mar	105.50	106.50	0	0
May	106.00	107.40	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.70	9.67	9.72	9.64
May	9.78	9.74	9.79	9.72
Jul	9.85	9.80	9.85	9.77
Oct	9.84	9.78	9.84	9.78
Mar	9.92	9.85	0	0
May	9.91	9.91	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	76.15	76.61	76.25	75.85
May	75.38	75.65	75.40	75.21
Jul	74.91	74.96	74.97	74.75
Dec	65.45	65.65	65.75	65.45
May	67.00	66.85	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	104.00	104.05	104.10	102.50
Mar	104.80	104.75	104.80	103.05
May	105.80	105.80	105.60	104.00

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec 17	Dec 14	mnth ago	yr ago
1716.4	1720.5	1730.0	1823.1

DOW JONES (Base: Dec. 31 1974 = 100)

	Dec 14	Dec 13	mnth ago	yr ago
Spot	123.64	123.32	122.69	128.42
Futures	126.23	126.14	125.61	130.74

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	587/6	588/2	594/2	587/0
Mar	602/4	603/2	609/6	601/6
May	617/6	618/0	623/4	617/0
Jul	629/0	629/6	635/4	628/4
Aug	630/2	632/6	637/0	630/0
Sep	627/4	628/2	630/0	627/0
Nov	625/2	626/2	629/2	625/0
Jan	635/0	636/2	640/0	636/0
Mar	649/0	649/4	652/0	648/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	21.23	21.20	21.57	21.21
Jan	21.52	21.30	21.60	21.30
Mar	21.87	21.61	21.85	21.65
May	21.05	21.88	22.14	21.92
Jul	22.11	22.09	22.28	22.10
Aug	22.02	21.98	22.20	22.02
Sep	21.95	22.00	22.15	21.95
Oct	21.85	21.80	22.00	21.85

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	178.0	175.7	178.1	175.8
Jan	177.1	177.1	181.0	176.6
Mar	181.8	181.8	185.5	181.6
May	185.6	185.6	188.6	185.3
Jul	188.9	189.1	191.1	188.7
Aug	190.0	189.2	191.5	190.0
Sep	189.5	189.0	190.1	189.6
Oct	186.2	188.0	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	226/2	223/2	227/0	224/4
Mar	239/2	236/4	239/6	237/6
May	247/2	244/4	247/4	245/6
Jul	253/4	250/6	253/6	251/2
Sep	254/0	251/4	254/4	252/0
Dec	254/2	251/6	254/4	251/6
Mar	261/2	258/6	261/2	259/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	254/4	259/0	255/6	252/4
Mar	266/6	266/6	267/0	265/4
May	273/2	271/6	273/4	273/4
Jul	276/0	275/2	276/6	275/0
Sep	281/4	281/4	281/4	281/4
Dec	294/0	293/4	294/0	293/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	81.15	80.97	81.25	80.77
Feb	76.87	76.75	77.05	76.72
Apr	76.97	76.90	77.10	76.62
Jun	74.72	74.62	74.85	74.57
Aug	73.07	72.92	73.17	73.00
Oct	73.07	72.95	73.20	73.05
Dec	74.00	74.00	74.00	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	51.40	50.67	51.50	51.10
Feb	49.57	49.27	49.72	49.27
Apr	47.42	47.05	47.50	47.05
Jun	50.57	50.32	50.75	50.27
Jul	50.95	50.50	50.80	50.50
Aug	48.50	48.22	48.55	0
Oct	44.30	44.17	44.30	0
Dec	44.80	44.80	0	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	63.07	64.20	64.70	62.90
Mar	62.50	63.55	63.90	62.25
May	62.57	63.75	64.00	62.40
Jul	62.20	62.90	63.10	62.10
Aug	59.62	60.15	61.00	59.70

LONDON STOCK EXCHANGE

Shares turn easier in lower volumes

FADING optimism on the domestic interest rate outlook continued yesterday to undermine a stock market already beginning to lose heart ahead of the Christmas/New Year break. However, share prices held up fairly well until Wall Street opened lower in the face of increasing concern over the latest developments in the Gulf situation and the onset of recession in the US.

The fear that weakness in sterling is undermining the likelihood of an early cut in UK base rates was fuelled yesterday by a further dip in the sterling exchange rate index. Shares in UK clearing banks suffered fresh falls as City analysts reviewed the implications for bank profits of provisions against loan losses. Store and building construction issues, also closely tied to interest rate

Account Dealing Dates		
*First Dealings:		
Dec 10	Dec 31	Jan 14
Option Declarations:		
Dec 27	Jan 10	Jan 24
Last Dealings:		
Dec 28	Jan 11	Jan 25
Account Day:		
Jan 7	Jan 21	Feb 4

*New-time dealings may take place from 9.30 am two business days earlier.

prospects, came in for a further round of downward pressure which showed itself in downgradings of some leading names.

The chief factor in the market, however, was the fall-off in trading volume as the City of London battened down the hatches for what promises to be the most difficult Christmas trading period for many years. Hints of further staff cutbacks by the big London-based securities houses depressed the investment mood.

Share prices opened lower following publication of the latest survey of industrial trends by the Confederation of British Industry (CBI), which confirmed the City of London's fear that corporate profits are now being squeezed severely by the slowdown in industry.

However, shares quickly rallied as securities traders came in to buy stock to meet selling commitments rather than leave them to run ahead of the extended Christmas holiday. The market was ahead by just over five Footsie points well before mid-morning.

It was soon clear, however, that genuine investment support was lacking and the market fell back as a London broking house operated a sell programme, said to be in the £40m to £50m range. However, the final push downwards came when London sensed that Wall Street might react adversely to the postponement of yesterday's direct talks between the UK and Iraq and to the latest signs of recessionary pressures on the US economy.

UK equities quickly reversed their early improvement, sliding by more than 11 points on the Footsie scale as Wall Street came in with a fall of 9 Dow points in London trading hours. The final reading showed the FT-SE Index with a loss on the day of 10.5 points at 2,157.9.

Seaq trading volume fell sharply to 383.8m shares by comparison with Friday's total of 556.1m. Trading volume rose impressively last week, measured both by Seaq daily totals and also by the International Stock Exchange (ISE) data for daily retail interest in the equity market.

Although confidence on the London market has been dimmed by the latest round of staff cutbacks at member firms and the waning of interest rate hopes, leading investment houses appear to be relatively optimistic for the year ahead. Mr William Smith, chief equity strategist at Barclays de Zoete Wedd, predicts that the FT-SE Index could reach 2,450 next year, based on the firm's central forecast of 5 per cent dividend growth at UK companies and bank base rates of 10 per cent by the end of next year.

The equity team at County NatWest says the UK equity market is "still a major opportunity". It expects base rates to be cut in spite of the strength of the German mark.

FINANCIAL TIMES STOCK INDICES

	Dec 17	Dec 14	Dec 13	Dec 12	Dec 11	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	82.87	83.37	83.31	83.39	83.27	84.04	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	90.93	91.14	91.02	91.17	90.86	92.26	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1690.2	1701.2	1704.9	1692.2	1708.0	1864.5	1968.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	140.1	138.8	139.1	141.8	149.1	315.2	378.5 (8/2)	138.8 (14/12)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2157.9	2168.4	2172.2	2156.0	2165.8	2358.5	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	972.00	982.71	986.21	983.81	989.49	-	1003.35 (6/12)	948.31 (27/11)	1003.35 (6/12/90)	948.31 (27/11/90)
Ord. Div. Yield	5.67	5.65	5.62	5.68	5.63	4.56				
Earning Yld %(full)	11.84	11.79	11.74	11.85	11.76	11.15				
P/E Ratio(Net)(☆)	10.20	10.25	10.29	10.19	10.27	10.86				
SEAQ Bargns 4.45pm	26,305	32,604	31,637	38,640	40,877	28,538				
Equity Turnover(£m)†	-	957.44	1315.89	1182.97	1369.78	1002.11				
Equity Bargains†	-	35,830	39,727	47,152	39,854	28,746				
Shares Traded (ml)†	-	444.2	616.6	515.0	580.1	444.9				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 31/8/90. ☆ Nil 10.04

Ordinary Share Index, Hourly changes — Day's High 1704.2 — Day's Low 1690.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1697.5	1699.0	1701.0	1700.0	1696.4	1697.1	1695.3	1690.9	1690.7

FT-SE, Hourly changes — Day's High 2173.6 — Day's Low 2156.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2163.9	2165.6	2168.5	2167.1	2165.7	2164.7	2162.6	2157.6	2157.3

FT-SE Eurotrack 100, hourly changes — Day's High 983.98 — Day's Low 970.14

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
983.92	982.76	977.28	975.38	972.87	971.07	970.51

GILT EDGED ACTIVITY

Indices*	Dec 15	Dec 14
Gilt Edged Bargains	89.5	92.5
5—Day average	93.7	97.7

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

[illegible]

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

Further setback for banks

THE BANKS sector remained shrouded in gloom as yet more broking firms chopped profits forecasts for the high street banks, and Hongkong and Shanghai Banking and Midland Bank confirmed that they will not be going ahead with merger plans. At least three of the top UK broking houses moved to cut their expectations, citing the continuing expansion in bad debts as the recession in the UK worsens.

Barclays Bank shares endured another painful session as specialists said S.G. Warburg Securities had cut its profits estimate for the current year to £875m – one of the lowest figures in the market. Warburg, adhering to long-standing company policy, declined to comment. Other broking concerns to cut their numbers yesterday included County NatWest and Hoare Govett. County lowered its estimate for Barclays from £1.125bn to £925m and also removed its current year forecast for Midland – previously County expected the troubled bank to realise pre-tax profits of £70m.

The blanket downgrade of the banks by Hoare Govett saw the broker cut the current year number for Barclays from £1.18bn to £910m and that for next year from £1.3bn to £1.02bn. For Lloyds, Hoare is expecting £700m in the current year and £785m next year, reductions of £85m and £100m respectively, while the Midland forecast is reduced from £120m in the current year to £50m and next year's from £310m to £230m. Hoare's NatWest forecasts are pared from £850m to £680m and £920m to £750m.

Barclays shares, which retreated over 7 per cent last week, dropped a further 18 to 349p yesterday, as did Natwest to 269p, while Lloyds dipped 11 to 286p and Midland 4 to 208p.

Stores suffer

The downgradings of retailers continued unabated, with Boots and Marks and Spencer buffeted afresh yesterday. BZW cut its forecast for current year profits at Boots by £15m to £360m. The investment house blamed the difficult retailing environment in the usually lucrative pre-Christmas period. It added that the shares had had a strong run and would be weak in the short term. They duly lost 7 to 223p.

Smith New Court became the latest broker to take a more cautious view of Marks, taking its current year estimate down to £630m from £665m. The range of forecasts is an unusually wide £615m to £675m, but analysts at the high end of the scale are expected to bring their numbers into line. Marks slipped a penny to 223p.

Waste merger

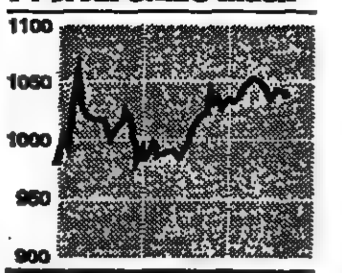
The only element of surprise in the proposed agreed merger of waste management companies Shanks & McEwan and Rechem Environmental Services was the terms. The market had thought Rechem well positioned to demand terms substantially better than the two-for-one share exchange, or partial cash alternative, disclosed yesterday. Some analysts suspected that deteriorating trading conditions might be the reason for Rechem's assent to the offer from Shanks.

This uncertainty hit shares of both companies. Shanks came under pressure and dropped from the suspension level of 1293p to 1138p before rallying to close at 1188p, down 105. Rechem momentarily touched 635p but retreated to end at 580p, just 6 up on the price at suspension.

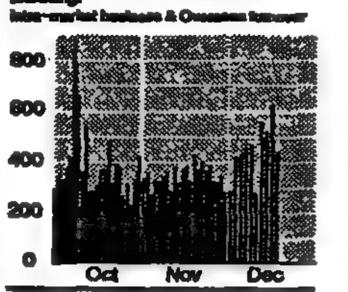
Commenting on the motive for the merger, Mr Robert Miller-Bakewell of County NatWest said Shanks at present disposes higher value hazardous wastes in its landfill quite legally. By the mid-1990s, this will not be allowed and consequently it has a medium-term requirement for an alternative disposal route. Rechem would provide this with two operational incinerators and a third licenced site in Scotland.

Engineers fell as more companies became the target of profit downgradings. IMI was down 6¾ to 206½p after a downgrading by Kleinwort Benson. The securities house was also said to be gloomy about prospects for FKI which shed 4 to 46p; Kleinwort was said to have reduced their current year forecast to £45m although this was not confirmed, despite talk in the market that FKI remains more than happy with other estimates closer to £53m.

County NatWest and BZW both trimmed profits forecasts for BBA Group to around £75m for 1990 as £5m redundancy charges were likely to come above the line. BBA closed 7½ down at 112½p.



FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover

Hawker Siddeley, however, managed to buck the trend and gain a firm 9 to 427p after having been sluggish in the wake of recent downgradings. A resurgence of talk that Hanson or BTR might bid and break it up also triggered interest, analysts said.

ERF, the maker of heavy commercial vehicles and moulded components, was also lifted by bid speculation involving a Japanese group and hopes that an African order would come through. It added 15 to 128p.

There was more limited profit-taking in the electricity distribution companies ahead of Wednesday, which dealers said should see private investors receive their share allotments. "We await the avalance of small selling orders," said one dealer. He continued to take the view that evidence of stake-building in other discos following the South Wales share stake was minimal.

Turnover in the discos continued to contract. Yorkshire took the honours yesterday with turnover of 2.8m shares and closed 4 higher at 168p. East Midlands and Northern were close behind with 2.6m shares traded apiece, but there was little change in the respective stock prices.

A sell recommendation by an investment bank induced caution in Smith & Nephew and the shares slipped 2 to 101¾p. The analysts' team at Smith New Court believes confidence in the group has been decimated by a seemingly endless stream of bad news, including savage profits downgradings. "For a company orientated towards markets considered relatively immune to economic conditions, S & N's recent track record raises serious questions about whether there is too little focus within the group for optimum performance to be achievable," it said.

Gestetner beat market expectations quite comfortably with annual profits some 44 per cent higher at £52.1m. The dividend was marginally better than forecast and the shares advanced to 210p before settling 8 up on balance at 207p.

Cookson ran into further profit-taking and ended 5 down at 99p. Nomura Research said given the fact that the stock has been firm on vague takeover rumours, it looks no better than a hold in the short term.

News of the "significant" oil discovery in the Gulf of Suez by a consortium including British Gas, with a 50 per cent stake, was viewed as highly positive by specialists but failed to galvanise the Gas share price, which settled a shade off at 235p. "The market response to a discovery of something in the order of 200m barrels was disappointing, especially when you recall that the hint of an oil find in the Gulf of Mexico some months back caused the BP share price to improve strongly," noted one analyst.

Lasmo pushed ahead to close 8 firmer at 399p on 2.2m, still boosted by a recent buy recommendation and the stock's recent underperformance which triggered switching out of Enterprise Oil and into Lasmo.

Hanson continued to weaken after cautious press assessments of the company's report and accounts. Of greatest concern is the high level of provisions for possible legal action against Peabody, its US coal business. Hanson fell 5¼ to 193¾p in heavy trade of 12m shares.

A media suggestion that BAT Industries' Eagle Star operation was exposed to the struggling property sector left BAT 7 off at 591p. Turnover was a solid 3.1m.

Traders blamed a shortage of Guinness stock for a price rise of 8 to 774p. Volume was unexceptional at 1.1m, but one marketmaker suggested that there had been switching from elsewhere in the brewers sector to Guinness.

The downgradings of Boots and Marks and Spencer left the stores sector unloved. Dixons lost 5 to 135p. Gus fell 28 to 1050p and Ratners slipped 6 to 179p, with one trader saying: "People will be buying turkeys, not engagement rings, this Christmas."

Food manufacturers and retailers, seen as selling life's essentials, performed relatively well.

The best performer among stores was Amber Day, up 1¾ to 63½p after an upbeat annual meeting.

Volume in Ladbroke was above average at 5.9m shares. Traders said an agency broker had bought a block of 1.5m in the lunchtime programme trade and "crossed" it in the market. The two trades accounted for more than half the recorded turnover. Ladbroke rose 5 at one point before subsiding to end just a penny better on the day at 259p.

TVS Entertainments, the ITV contractor for the south of England, eased 3 to 78p after press comment on the resignation of two non-executive directors from its board. One was Mr John Kiton, a former director of Hill Samuel, the merchant bank.

The buildings sector was depressed once more by fears that interest rates are not coming down as rapidly as had been hoped. Disappointing results from Anglia Secure Homes, which reported a loss of £8.8m. However, while this was double the previous deficit, and the final dividend was passed, the market took the announcement in its stride and Anglia closed unchanged at 25p.

Chemical group BTP moved against the sector trend to close 3 firmer at 165p. Mr Jeremy Chantry of Kleinwort Benson rates the stock a strong hold and would not be surprised at further outperformance in the medium term, although he believes the shares look fully valued short term. BTP's position as a niche supplier of specialist products should ensure that profits hold up reasonably well in a recessionary environment.

MTM reacted nervously to news of a boardroom shake-up and closed 16 down at 131p. Following the group's recent significant international expansion, most notably in North America, managing director Mr David Fyfe is to resign within the next three months and three new key appointments are announced.

Recovery hopes brought another rebound in Courtney Pope, up 9 at 30p, but Computer People dropped 15 in a thin market to 105p.

Eurotunnel failed to maintain Friday's rise, which followed the highly successful take-up of the French side of its rights issue, and retreated 12 to 388p.

■ Other Market statistics, including the FT-Actuaries share index, Page 25

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (19). BUILDINGS (1) STORES (1) ELECTRICALS (1) ENGINEERING (1) FOODS (3) INDUSTRIALS (1) Hy-Galt, PAPERS (8) TRUSTS (8) WATER (1). NEW LOWS (96). AMERICANS (2) CANADIANS (3) BUILDINGS (9) CHEMICALS (1) STORES (3) ELECTRICITY (3) ELECTRICALS (11) ENGINEERING (9) FOODS (3) HOTELS (1) INDUSTRIALS (12) American Business Systems, BBS, Brierley Inv., Computer People, Daimler Benz, Dean & Bowes, Elan Corp., Hadleigh Inds., Harris (Ph.), Hewitt (J.), Petrocon, Tubular Edgington, INSURANCE (1) LEISURE (1) MOTORS (3) PAPERS (4) PROPERTY (8) TEXTILES (1) TRANSPORT (1) TRUSTS (18) OILS (3) MINES (9) THIRD MARKET (3).

APPOINTMENTS

Restructure at the Woolwich

■ Mr John Bushell *(left)*, chairman of Dencora, has been appointed a non-executive director of the WOOLWICH BUILDING SOCIETY.

As part of the Society's restructuring, the following appointments have been made from January 1: Mr Richard Groom, general manager (operations), becomes managing director of Woolwich Property Services, exchanging posts with Mr Terry Webb *(right)*.

Mr David Small, general manager (lending services) becomes managing director, Woolwich (Europe), concentrating on developing EEC business (other than UK); Mr John Stewart has been promoted from assistant general manager (insurance services) to general manager (financial services); and Mr Stephen Clifford, chief solicitor, is promoted to head of legal services.

■ CONFEDERATION LIFE INSURANCE COMPANY has appointed Mr Ron L.W. Till as director of annuity products in the UK.

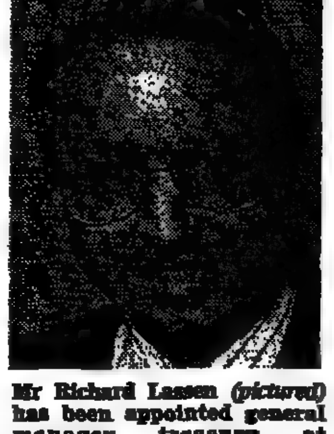
■ Mr Robert J.B. Kyle has been appointed managing director of Hewitt Refractories, a subsidiary of HEWITT & SON (FENTON). He was manufacturing director, ERF Trucks.

■ R. WATSON & SONS, consulting actuaries, has recruited as actuaries Mr Mark Trayhorn and Mr Roger Boulton. Mr Trayhorn was general manager and head of personal lines at the Prudential, and Mr Boulton joins from Sturge Holdings.

■ Mr John London has been appointed a non-executive director of BNB RESOURCES. He is chairman of Warrior International, and a director of Heineken, SHV Holdings, Jamestown Investments, and Derby Trust.

■ SWISS BANK CORPORATION has appointed Mr Al-Noor Ramji as director and head of the information systems department at its London office. He was operations director, Credit Suisse First Boston.

■ Mr Andrew Buxton has been appointed a non-executive director of the principal companies of the NORWICH UNION GROUP from January 1. He is an executive director of RTZ Corporation.



Mr Richard Lassen *(pictured)* has been appointed general manager, treasury, at NATIONWIDE ANGLIA BUILDING SOCIETY.

■ Mr Christopher C. Davis of Barclays de Zoete Wedd Research has been elected chairman of the SOCIETY OF INVESTMENT ANALYSTS, succeeding Mr John L. Parrett of Commercial Union Asset Management who has completed a three-year term.

■ Mr Mike Brown, group deputy managing director of SMALES GROUP, has been appointed managing director of subsidiary Billy Boy Frozen Foods.

■ CMB FOODCAN, Worcester, has appointed Mr Patrick Staines as director, human resource. He has been with the company for 19 years, and was factory manager, Hull.

After 30 years with CMB Packaging, Mr Brian Curtis becomes business director, three piece food can.

■ TGI has appointed Mr Alex Munro as managing director of subsidiaries Tannoy, and Mordaunt-Short, from January 14. He was managing director of KEF Electronics.

■ TRANSAX FINANCIAL SERVICES, Birmingham, a cheque guarantee company, has appointed Mr Ramesh Sethi to the new post of group finance director. He was director of finance with Halfords.

■ HOGG AUTOMOTIVE INSURANCE SERVICES, Reading, part of the Hogg Group, has appointed Mr George Waterson as a director, responsible for expanding the mechanical breakdown insurance business.

■ COMPUTER SCIENCES CORPORATION EUROPE has appointed Mr Paul Basile as European marketing director. He was deputy director of International Management Institute.

■ SHERWOOD COMPUTER SERVICES, Gloucester, has promoted Mr Barney Quinn to sales director.

■ NOKIA CONSUMER ELECTRONICS (UK) has appointed Mr David Silver as marketing director. He was sales planning controller with Ferguson.

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

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LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13¼	£9	ABN Amro Fl5	69¾	.....	Q28%	2.1	8.7	5.4
303	134	ANZ SA1	135	–2	Q38c	♦	11.2	♦
234	172	Abbey National 10p	227	–1	5.7	4.3	3.3	9.2
*274	128	Allied Irish Ord	149	.....	†Q40%	3.3	6.0	6.8
85	47	Anglo Irish	57	.....	Q17.9%	♦	7.0	♦
93	61	Ansbacher (H.) 1p	62	+1	2.5	1.3	5.4	17.8
£71¼	£32	Bancaire Cie Fr100	£47¼	–1	Q12%	–	2.7	–
£22¼	£12¾	Banco Bilbao Viz	£14	–¼	Q49.1%	2.7	5.7	9.6
£58	£25¼	Banco de Santander	£25	–¼	Q24.7%	2.5	3.9	10.2
286	130	Bank Ireland Ir£1	161	+2	Q14.7%	2.9	8.2	5.7
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
351	320	Bank Leumi (U.K.)	398	.....	†15.0	–	5.7	–
129½	100	Bank Scotland	115	.....	†4.55	3.4	5.3	7.3
101¼	83¼	Do. 9¼pc Irrd Pf	96½	.....	9¼%	–	12.8	–
54	39	Bank of Wales	42	.....	2.8	0.8	8.9	(20.2)
428	290	Barclays £1	349	–13	†19.57	3.5	7.5	4.8
22	10	Benchmark 20p	11	.....	0.75	–	9.1	–
335	210	Brown Shipley £1	210	.....	‡12.0	2.2	‡	6.8
*435	285	Cater Allen £1	385	.....	F24.5	–	8.5	–
179	29	Chancery	44	+2	‡9.0	2.7	‡	1.8
£23¼	£14	Commerzbk DM10	£17	–⅛	Q18%	–	3.7	–
£13½	620	Dai Ichi KBk Y50	742	.....	Q17%	6.2	0.5	35.0
£313	£189	Deutsche Bk DM50	£218½	–8	Q28%	–	2.2	–
£20	£14½	Espirito Santo	£16½	.....	Q75c	5.1	2.3	8.5
253	166	First Nat. Fin. 10p	183	.....	13.0	2.1	9.5	6.3
121	82	FNFC 6.3pc Cv. Pf	95	.....	6.3%	–	8.8	–
£13¼	633	Fuji Bank Y50	874	–2	†Q17%	6.9	0.4	37.2
325	262	Gerrard & National	311	.....	19.0	–	8.1	–
154	78	Guinness Mahon 10p	78	.....	1.45	♦	2.5	♦
[illegible]								

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES — Contd

Components

1990 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
456	420	Abbey Panels	453	.....	3.5	10.8	1.0	12.0
225	135	Airflow Streamlines	140	.....	1.0	3.0	5.7	7.8
190	145	Bostrom 5p	147	.....	15.75	3.1	5.2	6.7
266	160	Dowty 50p	165	-2	19.0	2.1	7.4	7.7
239	112	FR Group	112	-1	6.37	3.1	7.6	5.7
135	55	Kwik-Fit Hldgs. 10p	79	.....	12.4	2.3	4.1	14.6
174	102	Lucas Inds	136	-½	7.0	2.5	6.9	6.7
44	14	Do. Warrants	23	.....	—	—	—	—
80	55	Mid-States 10p	55	.....	20.75	—	1.8	46.1

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST—Contd

INVESTMENT TRUST—Contd

FINANCE, LAND, ETC

WATER

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's

Abbey Unit Tst Mngrs (1000)H

Abtrust Management Ltd (1200)H

Brown Shipley & Co Ltd (1000)F

Brycourt Unit Tst Mngmt Ltd (1400)F

Buckmaster Mangmt Co Ltd (1200)H

Burrage Unit Tst Mangmt Ltd (0905)F

CCF Foster Braithwaite UT Mngt (1100)F

Confederation Funds Mngt Ltd (1200)F

Consistent Unit Tst Mngt Co Ltd (1200)F

Co-op Pension Fds UT Mgrs Ltd (1000)F

Cornhill Unit Trust Mngrs Ltd

Crown Unit Tst Services Ltd

Dimensional Tst Mngmt

Marlborough Managed Trust (1430)F

Martin Currie Unit Trusts Ltd (0905)H

Matheson Unit Trust Managers Ltd (1200)H

NFU Mutual Unit Mngrs Ltd (1400)F

NM Unit Trust Mngrs (1200)H

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. [illegible]

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✝) - 0001 to 1100 hours; (✝✝) - 1101 to 1400 hours; (◆) - 1401 to 1700 hours; (◆) - 1701 to midnight. [illegible]

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. [illegible]

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. [illegible]

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel 071 - 379 - 0444.

FT MANAGED FUNDS SERVICE

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TSB Unit Trusts (1200)H
Charlton Pl, Andover, Hants. SP10 1RE 0264 346794

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or –	Yield Grs
TSB American	6	106.06	106.84	113.65	-0.18	0.74
Do Accum	6	115.94	116.78	124.23	-0.2	0.74
TSB Brit Growth	6	64.15	65.07	69.22	-0.6	3.95
Do Accum	6	70.93	71.94	76.53	-0.66	3.95
TSB European	6	66.61	66.79	71.05	-0.92	1.23
Do Accum	6	69.03	69.21	73.62	-0.96	1.23
TSB Extra Income	6	140.25	143.43	152.58	-0.85	6.11
Do Accum	6	198.35	202.85	215.79	-1.21	6.11
TSB Smaller Cos	6	38.04	39.72	42.25	—	0.25
Do Accum	6	39.88	41.65	44.3	—	0.25
TSB General	6	197.29	197.29	209.88	-2.07	4.22
Do Accum	6	361.69	361.69	384.77	-3.81	4.22
TSB Premier Income	5	41.58	42.21	43.96	-0.14	9.41
Do Accum	5	73.11	74.21	77.3	-0.24	9.41
TSB Income	6	258.96	264.23xd	281.09	-2.76	5.66
Do Accum	6	481.44	491.22xd	522.57	-4.39	5.66
TSB Pacific	6	191.35	195.04	207.48	-2.23	0.32
Do Accum	6	199.1	202.93	215.88	-2.32	0.32
TSB International	6	328.06	328.06	349.0	-3.25	1.59
Do Accum	6	420.82	420.81	447.67	-4.17	1.59
TSB Nat Resources	6	52.96	54.22	57.68	-0.1	1.33
Do Accum	6	57.45	58.83	62.58	-0.1	1.33
TSB Spcl Opps	6	69.16	70.83	75.35	-0.31	3.83
Do Accum	6	82.54	84.54	89.93	-0.38	3.83
Environmental Inv	6	40.31	41.05	43.67	-0.29	2.7
Do Accum	6	41.23	41.99	44.67	-0.3	2.7
TSB Selector	6	41.89	42.62xd	45.33	-0.3	4.66
Do Accum	6	43.16	43.91	46.71	-0.38	4.66
TSB High Income	6	44.05	44.61	47.45	-1.61	6.64
Do Accum	6	45.34	45.92	48.85	-0.21	6.64
TSB Intl Income	6	47.44	47.61	50.64	+0.09	7.01
Do Accum	6	47.44	47.61	50.64	+0.09	7.01
TSB Selector Income	6	44.99	45.4	48.29	-0.22	6.83
Do Accum	6	44.89	45.4	48.29	-0.22	6.83

Target Trust Mngrs Ltd (1600)F
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 0296 312746

	Bid Price	Offer Price	+ or –	Yield Grs
M & G Securities Ltd				
Charibond	99.2	99.2xd	—	10.89
(Accum Units)	325.6	325.6	—	10.89
NAACIF Dec 5	—	40.2xd	—	9.90
MIM Ltd				
Exempt Funds				
Intl Mngd P'Folio	972.0	1000.0	—	—
Mngd Fees (Acc)	57.6	61.4	—	—
Morgan Grenfell Unit Trust Managers Ltd				
Exempt Funds				
UK Equity † Dec 11	115.4	121.5	—	3.26
UK Small Co † Dec 11	455.2	475.9	—	2.24
Fixed Interest † Dec 11	100.9	106.1	—	8.33
US Small Co Dec 11	104.5	111.6	—	0.00
Managed Dec 11	96.96	103.1	—	2.54
Intl Bond Dec 11	106.4	112.5	—	8.10
Japan Dec 11	63.03	67.40	—	1.01
European Dec 11	80.55	86.11	—	1.70
Nth American Dec 11	80.03	85.92	—	1.62
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Dec 12	39.4	41.1	—	2.62
Euro Expt Dec 12	48.0	50.3	—	3.40
Fixed Int Ex Dec 12	44.1	45.9xd	—	11.33
Japan Expt Dec 12	40.0	42.7xd	—	0.24
Managed Ex Dec 13	38.3	39.8	—	3.16
SE Asia Expt Dec 12	56.3	59.1	—	6.73
Sm Cos Expt Dec 12	28.3	29.7xd	—	6.10
UK Eqty Ex Dec 12	36.1	37.9	—	4.33
Phillips & Drew Fund Management Ltd				
Small Co's Dec 5	592.63	634.6	—	5.78
Do Accum	659.2	705.8	—	5.78
Int Expt Dec 12	149.80	151.90	—	3.0
UK Index Dec 10	999.0	1019	—	6.07
Do Accum	1056	1076	—	6.07
Convertible Dec 14	81.15	85.87	+0.31	9.14

[illegible]

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

FT MANAGED FUNDS SERVICE

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or –	Yield Gross
Life Managed Fd	90.9	95.7	-0.9	–
Pension Managed Fd	87.1	91.6	-1.0	–
Life Deposit Fd	102.9	108.3	+0.1	–
Pension Deposit Fd	106.2	111.8	+0.1	–

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or –	Yield Gross
Life Funds				
Managed Cautionary	99.1	104.4	....	–
Managed Growth	123.3	129.8	....	–
Managed Opportunity	119.2	125.5	....	–
NFMC Target Financial	88.5	93.2	....	–
Pension Funds				
Managed Cautionary	104.6	110.2	....	–
Managed Growth	124.4	131	....	–
Managed Opportunity	117.8	124.1	....	–
NFMC Target Mngd Pen	134.8	141.9	....	–

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or –	Yield Gross
Harvester Pension Funds				
Managed	141.7	149.2	....	–
UK Equity	146.7	154.5	....	–
Overseas Equity	113.9	119.9	....	–
Fixed Interest	135.2	142.4	....	–
Property	127.1	133.8	....	–
Index Linked	144.4	152.1	....	–
Deposit	147.3	155.1	....	–
With Profits (B)	123.8	130.3	....	–

Property Equity & Life Ass. Co
Baxter Ave, Southend SS2 6QH 0702 333433

	Bid Price	Offer Price	+ or –	Yield Gross
Int. Man Pension Fd	149.1	156.9	....	–
Int. Man Crncy Bd Fd		143.8	....	–
Int Man Crncy Bd Fd(4)		130.4	....	–
Flexible Prop. Bd. Fd		201.3	....	–
Flexible Money Bd. Fd		366.3	....	–
Special Man. Inc. Fd		133.5	....	–

Prosperity Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

	Bid Price	Offer Price	+ or –	Yield Gross
Initial Equity	137.5	145.0	-1.0	–
Accum Equity	193.5	204.0	-1.0	–
Accum Managed	199.0	210.0	-1.5	–
Accum Five Star	150.5	159.0	-0.5	–
Accum World	107.5	113.5	-0.5	–
Accum Lifeline	101.6	101.6	-0.2	–
Pens Acc Equity	202.0	213.0	-1.5	–
Pens Acc Managed	235.5	248.5	-1.0	–
Pens Acc Intl.	169.5	179.0	-2.0	–
Pens Acc Deposit	187.5	198.0	–	–
Pens Acc Five Star	159.5	168.5	....	–

Providence Capital Life Asse. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or –	Yield Gross
UK Equity Acc	197.4	208.3	-1.5	–
UK Fixed Int Acc	164.7	173.8	+0.1	–

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life of Canada - Contd.

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Westbury Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equity & Law Intl Life Assce Co Ltd

Eurolife Assurance Group

Fitzroy International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

NM Life Assurance Intl Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

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	Bid Price	Offer Price	+ or -	Yield Gross
M & G (Guernsey) Ltd				
Island Gold	1483.6	1557.0	+10.0	1.36
(Accum. Units)	2651.8	2821.1	+18.2	1.36
Merrill Lynch Guernsey				
Banglair NAV Dec 12		863.96		
Sterling Portfolio NAV		$10.08		
NM Financial Mgmt Intl Ltd				
Mixed Currency (Sum)	£-			
NM Portfolio Selection Fund Ltd (Unquoted)				
Conscience	£-			
Far East Gwth	£-			
Smaller Co's	£-			
Special Sits	£-			
Intl Bond	£-			
American Fund	£-			
American Smaller Cos	£-			
Australian Fund	£-			
British Fund	£-			
European Fund	£-			
Gold Fund	£-			
Hong Kong Fund	£-			
International Fund	£-			
Japanese Fund	£-			
Japan Smaller Cos	£-			
Singapore & Malaysian	£-			
Dollar Fixed Interest	£-			
Sterling Fixed Int	£-			
Deutschmark Currency	DM-			
Dollar Currency	£-			
Sterling Currency	£-			
Yen Currency	Y-			
Managed Currency	£-			
Nikko Capital Mngt (Europe) Ltd				
Japan Index Fund	Y2,729	2,746		
New Generation Fd S	$21.64	21.87		
Japan Index Alpha	Y7,634	7,749		
Jap Sector Rotation	Y6,935	7,037		
Jap Cap Gwth CB	[illegible]	[illegible]		
Prudential Intl Financial Services Ltd				
Helions Currency Fund				
Managed Sterling	130.0	130.4	+0.04	10.77
Managed Dollar	$14.23	14.28	-0.02	7.60

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F						
PO Box 63, Bond Street, St. Helier, Jersey 0534 76029						
Stg Fixed Int	5½	£1.124	1.124	1.193	(z)	9.90
Offshore High Yield	5½	£1.447	1.447	1.506		14.44
Global Equity Fund	5½	$13.56	13.63	14.58	(z)	1.52
European Equity	5½	[illegible]	16.67	17.83	(z)	1.34
UK Growth (G Fund)	5½	£4.158	4.158	4.447		3.69
Nth American Eqty	5½	$8.828	8.828	9.401		0.32
Far Eastern Eqty	5½	$8.947	9.095	9.663		1.58
Intnl. Bond Fund						
Sterling Managed	5½	£10.26	10.26	10.94	(z)	8.72
US Dollar Managed	5½	$13.65	13.65	14.58	(z)	7.42
International Currency Fund						
Sterling Managed ♦	5½	£24.48	24.48	26.12	(z)	-
US Dollar Managed ♦	5½	$28.91	28.91	30.99	(z)	-
Sterling ♦ ‡	0	£23.65	23.65	23.65	(z)	13.61
US Dollar ♦ ‡	0	$37.08	37.08	37.08	(z)	6.51
Deutschmark ♦ ‡	0	[illegible]	58.06	58.06	(z)	7.23
Japanese Yen ♦ ‡	0	Y4,721	4,721	4,721	(z)	6.47
Swiss Franc ♦ ‡	0	SFr45.36	45.36	45.36	(z)	6.84
Irish Punts ♦ ‡	0	I£21.49	21.49	21.49	(z)	7.65
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195, St Helier, Jersey 0534 27561						
Lloyds Tst. Gilt	2½	£9.347	9.364	9.609	-0.01	11.46
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 37788						
Intl Circuit Portfolio	5	88.78	88.78	94.19	-0.26	0.00
Gilt	3	91.60	91.60	94.45	-0.39	12.71
MIM Britannia International (Jersey) Ltd						
PO Box 271, St Helier, Jersey 0534 73114						
Jersey Gilt (z)	5¼	£0.1626	0.1670	0.1761	[illegible]	[illegible]
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey 0534 76077						
Govt Secs Fd	4	£54.71	54.71	57.14	-0.16	11.58
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey 0534 73494						
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	3	104.37	104.37	107.51	+0.12	11.50

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Increasing pull of Gulf factor

THE FOREIGN exchange markets were more sensitive to the Gulf crisis yesterday, with the US dollar attracting investors' attention as a safe currency haven in times of international tension. Sterling weakened on the belief that the economic slowdown would force a cut in UK interest rates.

The uncertainty about talks between the US and Iraq led many analysts to believe the possibility of war had increased. Mr Michael Feeny of Sumitomo Bank said: "Markets have become more sensitive to the nuances of the current megaphone diplomacy."

Another source of support came from Japanese city banks, who continued to buy dollars in order to allow provisions to be made against third world loans.

There was also demand for the dollar ahead of the meeting today of the US Federal Reserve's policy-making open market committee. While some senior Fed governors are expected to push for an easing in monetary policy, the more cautious among them are thought to be in the majority.

The reluctance to cut rates comes from worries that inflationary pressures have still not been squeezed out of the economy. Recent data have shown that once the effect of the dip in oil prices is stripped out, wholesale prices are still buoyant. November consumer prices, due out today, are likely to be unchanged at an annual rate of 6.4 per cent.

In addition, the approach of the year-end, which introduces distortions into the money markets as banks and securities houses square their books, makes changes in monetary policy more difficult to execute.

However, the sharp fall in US industrial output and continued weakness of the banking system mean that interest rates are likely to be cut early in the new year. Many analysts feel this would limit any rally by the US currency.

The dollar rose in London yesterday to DM1.4870 from DM1.4845; to SFr1.2755 from SFr1.2740; to Y133.25 from Y132.90; and to FFr5.0900 from FFr5.0475. The dollar's index, calculated by the Bank of England, gained 0.1 to 60.9.

Sterling came under pressure in spite of warnings from Mr Robin Leigh-Pemberton, governor of the Bank of England, that there should be no cut in interest rates while the pound remains weak in the European Monetary System's exchange rate mechanism.

Currency dealers, however, believe the deepening recession will force the UK government to reduce rates. The latest industrial trends survey by the Confederation of British Industry expressed that the outlook for manufacturing industry is at its gloomiest for 10 years.

Sterling finished lower in London at DM2.8650 from DM2.8800; at $1.9270 from $1.9395; and at Y256.75 from Y257.75, but it rose to FFr9.8075 from FFr9.7900. In New York the pound recouped 35 points to end at $1.9805.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Dec 17	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	130.255	-2.53	4.58	44
D-Mark	2.05586	2.04126	-0.71	2.67	45
Dutch Guilder	2.31643	2.30273	-0.59	2.55	29
Belgian Franc	42.4032	42.2678	-0.32	2.27	15
Irish Punt	0.767417	0.766962	-0.06	2.00	2
Italian Lira	1538.24	1541.65	0.22	1.72	-11
Danish Krone	7.84195	7.87778	0.46	1.48	-21
French Franc	6.89509	6.94101	0.67	1.27	-37
Sterling	0.696904	0.710432	1.94	0.00	-87

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

£ IN NEW YORK

Dec.17	Close	Previous Close
£ Spot	1.9300-1.9310	1.9365-1.9375
1 month	1.08-1.06pm	1.04-1.03pm
3 months	2.75-2.72pm	2.77-2.75pm
12 months	8.58-8.50pm	8.58-8.55pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Dec.17	Previous
8.30 am	93.3	93.5
9.00 am	93.3	93.4
10.00 am	93.3	93.5
11.00 am	93.3	93.4
Noon	93.3	93.4
1.00 pm	93.3	93.4
2.00 pm	93.2	93.5
3.00 pm	93.2	93.5
4.00 pm	93.2	93.5

CURRENCY MOVEMENTS

Dec 17	Bank of England Index	Morgan** Guaranty Changes %
Sterling	93.2	-19.2
U.S Dollar	60.9	-18.3
Canadian Dollar	101.8	+0.9
Austrian Schilling	110.9	+12.7
Belgian Franc	112.5	-1.6
Danish Krone	111.2	+5.6
D-Mark	121.2	+26.8
Swiss Franc	114.8	+22.9
Dutch Guilder	116.2	+17.5
French Franc	105.3	-11.4
Lira	100.2	-19.2
Yen	131.2	+65.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Dec. 14.

CURRENCY RATES

Dec 17	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.739882	0.710432
U.S Dollar	7	1.43648	1.37295
Canadian $	12.82	1.66574	1.58777
Austrian Sch	6½	14.9581	14.3692
Belgian Franc	10½	44.1251	42.2678
Danish Krone	10½	8.18794	7.87778
D-Mark	6.00	2.12786	2.04126
Dutch Guilder	7.25	2.40179	2.30273
French Franc	10¼	7.23842	6.94101
[illegible]	[illegible]	[illegible]	[illegible]

* European Commission Calculations. * All SDR rates are for Dec. 14

POUND SPOT - FORWARD AGAINST THE POUND

Dec 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9265 - 1.9375	1.9265 - 1.9275	1.08-1.06cpm	6.66	2.73-2.70pm	5.64
Canada	2.2280 - 2.2420	2.2340 - 2.2350	0.49-0.41cpm	2.42	1.14-1.00pm	1.92
Netherlands	3.2250 - 3.2460	3.2250 - 3.2350	1⅜-1¼cpm	4.88	3⅛-3pm	3.79
Belgium	59.20 - 59.65	59.20 - 59.30	27-23cpm	5.06	62-50pm	3.78
Denmark	11.0400 - 11.1070	11.0400 - 11.0500	4⅛-3⅝orepm	4.28	9⅛-8pm	3.10
Ireland	1.0795 - 1.0825	1.0760 - 1.0770	0.39-0.33cpm	4.01	0.74-0.60pm	2.49
Germany	2.8655 - 2.8765	2.8625 - 2.8675	1⅛-1⅛pfpm	4.97	3-2⅞pm	4.10
Portugal	252.70 - 254.45	253.40 - 254.40	6pm-4cdis	0.05	9-48dis	-0.45
Spain	182.60 - 183.90	182.90 - 183.20	4-11cdis	-0.49	35-46dis	-0.89
Italy	2163.50 - 2172.85	2163.50 - 2164.50	3⅛-2lirepm	1.49	6-3⅝pm	0.89
Norway	11.2300 - 11.2850	11.2300 - 11.2400	3⅛-2⅞orepm	3.34	6⅛-5⅛pm	2.11
France	9.7425 - 9.8125	9.8025 - 9.8125	3⅞-3⅜cpm	4.59	8-7⅜pm	3.19
Sweden	10.7900 - 10.8400	10.7900 - 10.8000	⅛pm-⅛oredis	-0.07	⅛-2dis	-0.51
Japan	256.25 - 257.55	256.25 - 257.25	1⅝-1⅜ypm	6.72	3⅞-3½pm	5.55
Austria	20.15 - 20.23	20.16 - 20.19	9⅛-7⅞gropm	5.06	23½-20⅛pm	4.39
Switzerland	2.4555 - 2.4650	2.4525 - 2.4625	1⅛-1cpm	5.19	2⅞-2⅝pm	4.48
Ecu	1.3990 - 1.4025	1.3995 - 1.4005	0.52-0.48cpm	4.29	1.17-1.11pm	3.26

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.01-4.96cpm . 12 Month 8.57-8.47cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Dec 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9265 - 1.9375	1.9265 - 1.9275	1.08-1.06cpm	6.66	2.73-2.70pm	5.64
Ireland†	1.7860 - 1.7920	1.7885 - 1.7895	0.40-0.35cpm	2.52	1.35-1.25pm	2.91
Canada	1.1555 - 1.1590	1.1570 - 1.1580	0.40-0.42cdis	-4.25	1.06-1.11dis	-3.75
Netherlands	1.6730 - 1.6805	1.6760 - 1.6770	0.21-0.24cdis	-1.61	0.73-0.77dis	-1.79
Belgium	30.70 - 30.85	30.70 - 30.80	4-5cdis	-1.76	12-17dis	-1.89
Denmark	5.7140 - 5.7475	5.7300 - 5.7350	1.05-1.25oredis	-2.41	3.35-3.95dis	-2.55
Germany	1.4820 - 1.4900	1.4865 - 1.4875	0.17-0.19pfdis	-1.45	0.60-0.63dis	-1.65
Portugal	131.45 - 131.70	131.45 - 131.55	47-57cdis	-4.75	190-220dis	-6.24
Spain	94.55 - 95.20	95.00 - 95.10	54-58cdis	-7.07	152-161dis	-6.59
Italy	1119.25 - 1125.00	1122.75 - 1123.25	4.80-5.10liredis	-5.18	13.00-14.00dis	-4.81
Norway	5.8225 - 5.8440	5.8275 - 5.8325	1.45-1.80oredis	-3.34	4.95-5.45dis	-3.57
France	5.0410 - 5.0925	5.0875 - 5.0925	0.83-0.88cdis	-2.02	3.04-3.14dis	-2.43
Sweden	5.5875 - 5.6120	5.6000 - 5.6050	2.95-3.30oredis	-6.69	8.45-9.00dis	-6.23
Japan	132.75 - 133.45	133.20 - 133.30	0.02pm-par	0.09	par-0.03dis	-0.05
Austria	10.4400 - 10.4760	10.4650 - 10.4700	0.65-1.25grdis	-1.09	2.60-4.00dis	-1.26
Switzerland	1.2700 - 1.2770	1.2750 - 1.2760	0.10-0.13cdis	-1.08	0.36-0.41dis	-1.21
Ecu	1.3760 - 1.3835	1.3780 - 1.3790	0.30-0.27cpm	2.48	0.89-0.86pm	2.54

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Dec 17	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅛ - 14¼	14⅛ - 14⅜	14⅛ - 14¼	14⅛ - 13⅞	13⅝ - 13¼	12⅞ - 12⅝
US Dollar	7⅞ - 7⅛	7⅞ - 7⅛	8⅝ - 8⅛	8 - 7⅞	7⅞ - 7⅞	7⅞ - 7⅞
Can. Dollar	11⅞ - 11½	12 - 11⅞	11⅞ - 11⅞	11⅞ - 11⅝	11⅞ - 11⅛	11⅝ - 11
Dutch Guilder	9⅛ - 9⅛	9⅛ - 9⅛	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞
Swiss Franc	8⅝ - 8⅛	8⅝ - 8⅝	9⅛ - 9⅛	9⅛ - 9	8⅞ - 8⅞	8⅞ - 8⅞
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 8⅛-8⅞ per cent; three years 8⅛-8⅞ per cent; four years 8⅝-8⅞ per cent; five years 8⅝-8⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Dec 17	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
F Fr.	1.020	1.965	2.921	261.8	10.	2.506	3.293	2206	2.271	60.41
S Fr.	0.407	0.784	1.166	104.5	3.990	1	1.314	880.4	0.909	24.10
H Fl.	0.310	0.597	0.887	79.50	3.037	0.761	1	670.0	0.692	18.34
Lira	0.462	0.890	1.324	118.7	4.532	1.136	1.493	1000.	1.033	27.38
C $	0.447	0.862	1.282	114.9	4.388	1.100	1.445	968.2	1	26.51
B Fr.	1.688	3.252	4.835	433.4	16.55	4.149	5.451	3652	3.772	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

OTHER CURRENCIES

Dec 17	£	$
Kuwait	N/A	N/A
Luxembourg	59.20 - 59.30	30.70 - 30.80
Malaysia	5.2035 - 5.2165	2.6975 - 2.6995
Mexico	5681.75 - 5702.55	2943.00 - 2953.00
N.Zealand	3.2570 - 3.2620	1.6880 - 1.6900
Saudi Ar.	7.2315 - 7.2735	3.7490 - 3.7510
Singapore	3.3115 - 3.3195	1.7140 - 1.7160
S Af (Cm)	4.8620 - 4.8750	2.5225 - 2.5240
S Af (Fn)	6.5800 - 6.6900	3.4070 - 3.4660
Taiwan	52.30 - 52.40	27.10 - 27.15
U.A.E.	7.0830 - 7.1240	3.6720 - 3.6740

* Selling rate

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

CAC-40 FUTURES (MATIF) Stock index

	Open	Close	Change	High	Low	Open int.
November	1625.0	1611.0	-20.0	1629.5	1608.0	7,484
December	1635.0	1624.0	-19.0	1639.5	1624.0	1,350
January	1645.0	1640.0	-15.0	1645.0	1640.0	40
March	-	-	-	-	-	210

Estimated volume 7,009 Total Open Interest 9,084

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9270	1.9163	1.8999	1.8772	1.8418

IMM-STERLING $ per £

	Close	High	Low	Prev.
Dec	1.9316	1.9340	1.9286	1.9342
Mar	1.9026	1.9050	1.8990	1.9052
Jun	1.8800	1.8790	1.8760	1.8960

BASE LENDING RATES

	%		%		%
ABN Bank	14	Coutts & Co	14	NatWestminster	14
Adam & Company	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
Allied Trust Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
AIB Bank	14	Duncan Lawrie	14	Provincial Bank PLC	15
● Henry Ansbacher	14	Equatorial Bank plc	14	Roxburghe Bank Ltd	14½
Associates Cap Corp	15½	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
● B & C Merchant Bank	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Bank of Baroda	14	First National Bank Plc	16	● Smith & Williamson Secs.	14
Banco Bilbao Vizcaya	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank Credit & Comm.	14	Robert Fraser & Ptnrs.	14½	TSB	14
Bank of Cyprus	14	Girobank	14	Unibank plc	14
Bank of Ireland	14	● Guinness Mahon	14	● United Bk of Kuwait	14
Bank of India	14	HFC Bank plc	14	United Mizrahi Bank	14
Bank of Scotland	14	● Hambros Bank	14	Unity Trust Bank Plc	14
Banque Belge Ltd	14	Hampshire Trust Plc	14½	Western Trust	14
Barclays Bank	14	Heritable & Gen Inv Bnk.	14	Westpac Bank Corp.	14
Benchmark Bank	14	● Hill Samuel	14	Whiteaway Laidlaw	14
Brit Bk of Mid East	14	C. Hoare & Co.	14	Yorkshire Bank	14
● Brown Shipley	14	Hongkong & Shangh	14		
CL Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk.	14		
Clydesdale Bank	14	Midland Bank	14		
Comm. Bk. of London Plc	14	Mount Banking	14		
Co-operative Bank	*14	Nat Bk. of Kuwait	15		

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MONEY MARKETS

UK rates firmer

UK MONEY market rates continued to firm yesterday in response to sterling's easier tone against the D-Mark. The government's message that there can be no early cut in rates until sterling strengthens also led to a hardening of rates.

This allowed the Bank of England to adopt a more accommodating stance towards the market's liquidity needs, and it met the day's credit shortage almost in full.

UK clearing bank base lending rate
14 per cent
from October 8, 1990

The key three-months inter-bank rate rose to 14⅛-14 per cent from 13⅞-13⅞. In the futures market, the March short sterling contract fell 4 points to 87.64.

In its credit market operations, the Bank bought a total of £1.528bn of bills, compared with a forecast shortage of £1.55bn, leaving the market just £22m short.

Initially, the Bank bought £18m of band 2 bills, including £15m of Treasury bills at 13¾ per cent and £3m of bank bills at 13¾. It also purchased £772m of bills for resale to the market on December 24 at interest rates of 13 15/16-14 per cent.

Before lunch another £653m of liquidity was injected, by way of £10m band one bank bills at 13⅞ per cent; and £8mband 2 Treasury bills and £635m band two bank bills at 13¾ per cent. Finally, late assistance of £85m was provided.

The main factors contributing to the shortage were bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills, which drained £1.06bn. Exchequer transactions absorbed a further £875m and bankers' balances below target a further £110m. This was partly offset by £545m fall in note circulation.

In Frankfurt call money rates were unchanged at 8.40-8.50 per cent, just beneath the Bundesbank's 8.50 per cent Lombard emergency funding rate. Underpinning rates was a drain on liquidity caused by December tax payments and large cash withdrawals before Christmas.

In Paris the Bank of France left its intervention rate unchanged at 9.25 per cent at a securities repurchase tender held to allocate funds for injection into the money market.

In New York the Federal Reserve added cash to the banking system through $1.5bn of customer repurchase agreements. Federal funds rose 1/16 point to 7 1/16 per cent as year-end factors drained liquidity.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.17) 3 months US dollars		6 months US Dollars	
bid 7⅞	offer 8	bid 7⅝	offer 7¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4pm)

Prime rate	10
Broker loan rate	9½
Fed. funds	7⅛
Fed. funds at intervention	-

Treasury Bills and Bonds

One month	6.22	Three year	7.42
Two month	6.36	Four year	7.60
Three month	7.01	Five year	7.69
Six month	7.07	Seven year	7.94
One year	7.06	10-year	8.01
Two year	7.30	30-year	8.18

Dec.17	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.40-8.45	8.90-9.05	8.95-9.10	8.95-9.10	9.00-9.15	8.50
Paris	9⅞-10⅛	10-10⅛	10⅛-10⅛	10⅛-10⅛	10½-10⅝	9.25
Zurich	7⅞-8⅛	8⅞-9	-	8⅞-8⅞	-	-
Amsterdam	9.20-9.35	9.27-9.37	-	9.20-9.35	-	-
Tokyo	8⅛-8⅛	8⅞-8⅞	-	8⅛-8⅛	-	-
Milan	12-12⅛	14⅞-15	-	13⅞-14⅛	-	-
Brussels	8.25	10⅛-10⅛	-	10⅛-10⅛	-	-
Dublin	10⅛-10½	10½-10⅝	10⅝-10⅞	10⅞-11⅛	11⅛-11⅜	-

LONDON MONEY RATES

Dec 17	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14⅛	14⅜	14 11/32	14⅛	13⅞	12 13/16
Interbank Bid	11	14⅛	14⅛	14	13⅝	12⅝
Sterling CDs	-	-	14⅛	14⅛	13⅝	12⅝
Local Authority Deps	14⅛	14⅛	14⅛	14	13¼	12½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	14⅛	14⅛	13⅞	13	-	-
Company Deposits	-	-	14⅛	14⅛	13⅞	12⅞
Finance House Deposits	-	-	14⅛	14⅛	13⅞	12⅞
Treasury Bills (Buy)	-	-	13¾	13⅞	-	-
Bank Bills (Buy)	-	-	13 27/32	13⅞	12½	-
Fine Trade Bills (Buy)	-	-	14 7/32	13 9/16	13⅛	-
Dollar CDs	-	-	8.40	7.97	7.73	7.70
SDR Linked Dep. Offer	-	-	9⅛	9⅛	9	9
SDR Linked Dep. Bid	-	-	9⅛	8⅞	8⅞	8⅞
ECU Linked Dep. Offer	-	-	10⅝	10⅝	10⅝	10⅝
ECU Linked Dep. Bid	-	-	10½	10½	10½	10½

Treasury Bills (sell); one-month 13 11/16 per cent; three months 13⅞ per cent; six months 12⅞ per cent; Bank Bills (sell) one-month 13 23/32 per cent; three months 13⅞ per cent; Treasury Bills; Average tender rate of discount 13.0040 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day November 1, 1990. Agreed rates for period Dec 26, 1990 to Jan 25, 1991, Scheme I: 14.59 p.c., Schemes II & III: 14.87 p.c. Reference rate for period Nov 30, 1990 to Nov 30, 1990, Scheme IV&V: 13.698 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from December 1, 1990; Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 11½ per cent; Under £100,000 10½ per cent from Oct 8, 1989. Deposits withdrawn for cash 5 per cent.

COMPANY NOTICES

CLUBS

LEGAL NOTICES

No. 008244 of 1990
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

Mr. Justice Morritt
Monday the 26th of November 1990

IN THE MATTER OF
BELMONT UK LIMITED
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 26th November 1990 confirming the reduction of the capital of the above-named Company from £10,000,000 to £6,331,250 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 6th December 1990.

Dated this 14th day of November 1990

SPEECHLY BIRCHAM
Bouverie House
154 Fleet Street
London EC4A 2HX
Ref: MRL/PAM/108036

Solicitors for the above-named Company

MONEY MARKET FUNDS

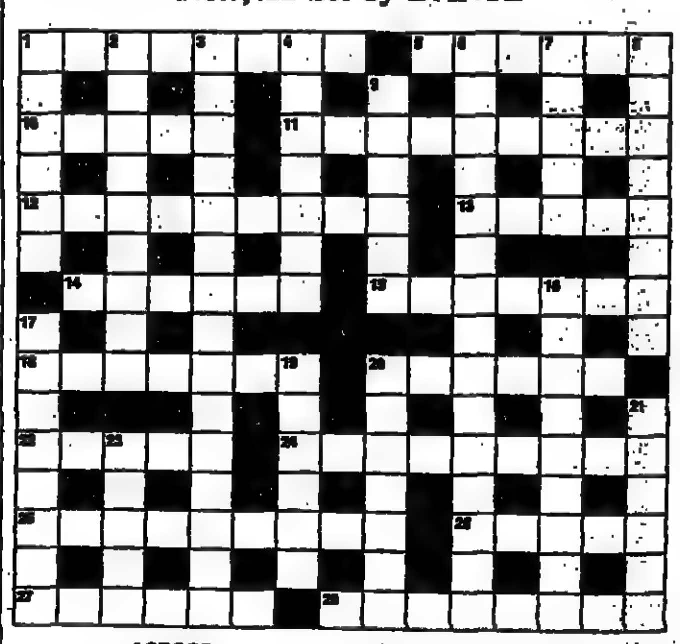
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,422 Set by DANTE



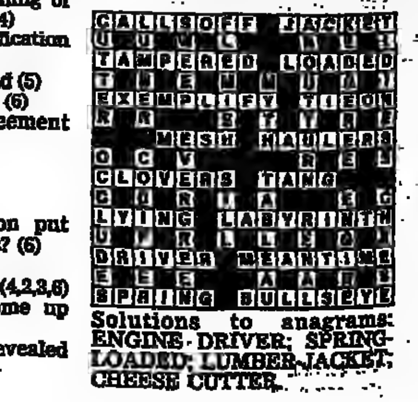
ACROSS

1 Realising it's delightful (8)
5 Frenchman in our power (6)
10 Late news surcharge (5)
11 Daily help Greta provided (9)
12 Financial expert comes into trouble (9)
13 Praise for former duty, we hear (5)
14 Big bands of horses? (6)
15 Love cereal, if put inside the mouth (7)
18 Bird pecked another (7)
20 Prescription for success in the kitchen (6)
22 A rope-spinning display on stage (5)
24 It gives pointed warning of the blow to come (5-4)
25 A revolutionary fortification (9)
26 Away team gets a lead (5)
27 They hold up shelves (6)
28 Sense there's agreement among a number (8)

DOWN

1 Tentative suggestion put out by some animals? (6)
2 Needleworker (9)
3 Leader of the house? (4,2,3,6)
4 Numbskulls can come up with intelligence (7)
6 Attractive stretch revealed by guide (8,7)
7 Demand payment out of turn (5)
8 The elder made King of England (8)
9 Drunk gets bottle-opener before game (6)
16 I'm quietly going round getting better (9)
17 Little brothers tucked up in a bed, concentrating (8)
19 It's capital as a sun resort (6)
20 Castle on Eastern Railway is a bird's nesting place (7)
21 Fed up with tea-break? Just the reverse! (6)
23 Record membership (5)

Solution to Puzzle No.7,421



Solutions to anagrams: ENGINE-DRIVER; SPRING-LOADED; LUMBER-JACKET; CHEESE CUTTER.

WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices December 17

MONTREAL
Closing prices December 17

Total Sales 5,412,888 shares.

INDICES

NEW YORK

DOW JONES	Dec. 17	Dec. 14	Dec. 13	Dec. 12	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
φIndustrials	2598.32	2593.81	2614.36	2622.28	2999.75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	91.12	91.19	91.25	91.12	93.04 (5/1)	88.44 (24/9)	—	—
Transport	895.24	903.11	916.79	915.29	1212.77 (6/6)	821.93 (17/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	208.56	208.56	209.32	210.32	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

φDay's High 2600.74 (2617.82) Low 2563.61 (2572.03)

STANDARD AND POOR'S	Dec. 17	Dec. 14	Dec. 13	Dec. 12	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	326.02	326.82	329.34	330.19	368.95 (16/7)	295.46 (11/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials (Latest)	381.96	382.53	385.42	386.28	437.37 (16/7)	346.86 (11/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	22.87	23.16	23.51	23.66	31.87 (3/1)	18.80 (29/10)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	178.22	178.71	180.06	180.25	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	305.99	305.74	306.71	307.71	382.45 (5/1)	288.07 (30/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	365.72	368.83	371.50	370.42	469.60 (16/7)	325.44 (16/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Dec. 7	Nov 30	Nov.23	year ago (approx.)
Dow Industrial Div. Yield	3.98	4.01	4.06	3.90

	Dec. 12	Dec. 5	Nov.28	year ago (approx.)
S & P Industrial div. yield	3.31	3.31	3.42	2.92
S & P Indl. P/E ratio	15.09	15.09	15.37	14.82

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Chrysler	1,888,500	12⅞	+ ⅛
Unisys Corp	1,715,100	2⅝	—
Am Express	1,455,200	21⅛	+ ⅛
Citicorp	1,223,100	13⅛	- ⅜
Phillip Morris	1,174,300	50⅞	+ ⅜
Ford Motor	1,145,500	25⅝	+ ⅜
Gen Electric	1,062,600	55⅝	- ⅛
Waste Man	1,044,400	35	- ⅜
Pan Am Corp	1,010,900	1½	+ ⅛
IBM	954,900	111½	+ ⅞

TRADING ACTIVITY

† Volume Millions	Dec. 17	Dec. 14	Dec. 13
New York	118.560	150.880	162.118
Amex	10.196	10.954	10.912
NASDAQ	(u)	119.503	122.018
Issues Traded	2,024	2,004	2,027
Rises	492	502	782
Falls	1,016	1,009	750
Unchanged	516	493	495
New Highs	5	6	30
New Lows	62	43	42

CANADA

TORONTO	Dec. 17	Dec. 14	Dec. 13	Dec. 12	1990 HIGH	1990 LOW
Metals & Minerals	2758.70	2785.70	2782.90	2803.41	3453.05 (4/1)	2486.60 (8/11)
Composite	3232.97	3244.22	3252.56	3252.54	4009.47 (3/1)	3009.91 (16/10)
MONTREAL Portfolio	1723.78	1729.66	1743.01	1743.79	2060.90 (3/1)	1607.24 (16/10)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec. 17	Dec. 14	Dec. 13	Dec. 12	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1295.7	1318.8	1319.7	1323.6	1713.7 (12/1)	1291.2 (2/11)
All Mining (1/1/80)	591.0	600.2	607.5	609.6	860.8 (5/1)	591.0 (17/12)
AUSTRIA						
Credit Aktien (30/12/84)	464.86	475.54	477.77	475.63	783.29 (19/3)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5098.08	5082.37	5120.68	5108.98	6999.43 (12/1)	4959.97 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	325.12	325.03	322.99	321.95	388.29 (20/7)	321.95 (12/12)
FINLAND						
Unitas General (1975)	395.6	399.6	408.7	407.2	677.3 (23/1)	395.6 (17/12)
FRANCE						
CAC General (31/12/82)	429.28	435.36	442.88	441.20	564.62 (30/5)	410.18 (26/9)
CAC 40 (31/12/87)	1606.23	1635.52	1659.40	1667.85	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	641.5	649.88	655.21	651.24	832.32 (19/7)	549.69 (28/9)
Commerzbank (1/12/53)	1820.4	1845.5	1863.7	1854.1	2414.0 (3/4)	1628.7 (28/9)
DAX (30/12/87)	1475.87	1522.40	1517.80	1517.24	1968.55 (30/3)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	3051.92	3125.69	3150.12	3160.79	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1256.99	1261.17	1259.24	1249.79	1893.10 (22/1)	1193.66 (5/12)
ITALY						
Banca Com. Ital. (1972)	535.84	550.90	547.28	533.81	763.52 (14/6)	500.67 (29/11)
JAPAN						
Nikkei (16/5/49)	24087.91	24349.50	24642.97	23999.41	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	1778.89	1800.32	1813.98	1779.50	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	2862.23	2886.63	2888.31	2877.87	4477.16 (16/7)	2763.32 (5/12)
MALAYSIA						
KLSE Composite (4/4/86)	500.31	508.11	505.43	499.82	632.22 (1/8)	459.68 (28/9)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	227.3	230.6	230.1	228.8	271.9 (20/7)	225.6 (8/11)
CBS All Shr (End 1983)	168.1	169.8	168.6	167.7	206.3 (3/1)	165.6 (8/11)
NORWAY						
Oslo SE (Ind) (2/1/83)	678.65	675.65	671.13	660.15	915.13 (2/8)	653.46 (21/12)
PHILIPPINES						
Manila Comp (2/1/85)	674.45	698.25	687.87	675.98	1160.70 (21/3)	514.80 (5/10)
SINGAPORE						
SES All-Singapore (2/4/75)	322.66	328.36	329.40	326.86	446.87 (16/7)	301.45 (11/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	1126.0	1123.0	1141.0	1168.0	2270.0 (16/1)	1123.0 (14/12)
JSE Industrial (28/9/78)	2988.0	2988.0	2995.0	3006.0	3211.0 (6/2)	2648.0 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	706.04	710.06	712.82	724.51	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	233.99	238.23	241.20	241.17	309.74 (16/7)	209.37 (28/9)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	876.6	897.4	908.3	898.0	1328.9 (5/7)	815.6 (27/12)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	639.4	648.3	649.7	648.8	845.5 (13/7)	613.4 (28/9)
SBC General (1/4/87)	527.8	534.8	535.3	535.1	698.2 (13/7)	510.4 (26/11)
TAIWAN**						
Weighted Price (30/6/66)	4102.74	4304.31	4372.98	4335.26	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	621.98	649.58	644.58	640.35	1143.78 (25/7)	544.30 (30/11)
WORLD						
M.S. Capital Intl.(1/1/70) (§)	467.8*	473.4	478.3	475.8	571.0 (4/1)	423.1 (28/9)

**Saturday December 15: Taiwan Weighted Price: 4319.47 Korea Comp Ex. 705.49
§ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday 17 December 1990

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	19.2m	446	-2
M'sui Shpbldg	9.7m	570	-25
S'tomo Metal	6.5m	465	-16
M'bishi Heavy	5.1m	713	-4
Mitsui Co	5.1m	785	-6
Marubeni	4.4m	708	-20
NKK	3.5m	411	-11
K'saki Steel	3.5m	427	-18
Kajima Corp	3.4m	1,810	-10
Nissan Cnstrn	3.3m	1,330	+10

AMEX COMPOSITE PRICES
4pm prices December 17

4pm prices December 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
35⅞	9½	AAR	.48	5.2		62460	9⅝	d 9⅛	9¼	– ⅛
9¼	7¾	ACM n	1.01	12.		257	8⅞	8¾	8¾	– ⅛
11⅛	8¾	ACMIn	1.26	12.		950	10⅝	10¼	10⅝	+ ⅛
8¼	6½	ACM M	n1.01	13.		830	7¾	7⅝	7⅝	
12⅛	10	ACMMM	1.50	13.		166	11⅞	11⅝	11⅝	+ ⅛
11½	8⅝	ACM Sc	1.26	13.		1560	9⅞	9⅝	9⅞	
9⅝	7¼	ACMSp	1.01	12.		723	8⅝	8⅝	8½	– ⅛
24⅝	17	AL Lab	.16	.7	19	63	24⅛	23⅞	23⅞	– ¼
4½	1	AM Intl				1351	1¾	1⅝	1⅛	+ ⅛
19⅞	4⅝	AM In pf	2	30.		22	6⅞	6⅝	6⅝	– ¼
70¼	39¼	AMR			14	3025	50¼	48⅝	48⅝	–1⅝
26½	25	ANR pf	2.67	10.		1	25⅞	25⅝	25⅝	
24⅝	22¾	ANR pf	2.12	9.3		2	22¾	22⅝	22⅝	
4	1⅞	ARX				65	1⅞	1½	1⅝	
72¼	38¼	ASA	3	7.3		398	41⅞	40½	41⅛	
3½	2	ATTC wt				280	2⅛	2⅛	2⅛	
46⅞	31¼	AbtLab	s.84	1.9	21	5249	44⅝	44⅛	44⅝	– ⅛
14	10⅝	AbitiBi	g .50			185	11	11	11	+ ⅛
11⅝	4⅝	AcmeC	.40	8.2	11	192	5	4¾	4⅞	– ⅛
32¼	18⅞	Acuson	s		21	565	26½	26	26	–1
16⅞	14⅛	AdaEx	1.72e	12.		158	14⅞	14⅝	14⅞	+ ⅛
15⅝	9½	Adobe				61	9⅝	9⅝	9⅝	
20¼	16	Adob pf	1.84	11.		76	17	16¾	16¾	– ¼
21⅝	19¼	Adob pf	2.40	12.		20	19¾	19¾	19¾	
11⅝	3½	AMD				6686	5¼	4⅝	4⅞	
32⅞	13	AMD pf	3	19.		504	16⅛	15½	15⅞	+ ¼
8¼	1⅝	Advest	.16	6.7		287	2½	2⅜	2⅜	
55⅝	29	AetnaLf	2.76	7.2	9	2782	39	38¼	38⅝	– ⅛
12¼	6¼	AffilPb	.24	3.0		224	8	7¾	7⅞	
22½	10⅝	Ahmans	.88	6.8	6	2471	13⅛	12⅝	12⅞	– ½
3⅝	1⅞	Aileen			9	93	3⅛	3¼	3⅞	+ ¼
61	42⅞	AirPrd	1.44	2.7	13	873	53½	52½	53¼	– ¼
27	13½	AirFrt	s .30	1.7	8	189	18⅛	17¾	17⅞	– ⅛
23½	11¼	Airgas			16	29	12⅝	12½	12⅝	– ⅛
20⅝	13¼	Airlease	2.52	17.	7	68	14⅝	14⅛	14⅝	+ ¼
23⅞	21	AlaP	pf2.13e	9.9		3	21⅞	21⅞	21½	
10⅛	9	AlaP	dpl.87	9.2		20	9⅝	9⅜	9½	

[illegible]

Continued on Page 39

NYSE COMPOSITE PRICES

12 Month High Low Stock Div. Yld. P/E Sls 100s High Low Close Quote Ch'ge Prev. Close

Continued from previous Page

NASDAQ NATIONAL MARKET

3pm prices December 17

Stock Div. P/E Sales 100s High Low Last Chng

FINANCIAL TIMES

Tuesday December 18 1990

AMERICA

Threat of war overhangs trade but Dow rallies late

Wall Street

THE MAJORITY of US stock prices spent yesterday in negative territory in listless trading as the market lacked a clear direction. but blue chips showed some recovery by the close, *writes Martin Dickson in New York.*

The Dow Jones Industrial Average blue chip indicator ended the session only 0.49 down at 2,593.32, after slipping more than 15 points in morning trading. New York Stock Exchange volume was a low 120m shares and declines still outnumbered advances by 1,011 to 493 at the finish. The Standard & Poor's 500 index closed 0.80 off at 326.02 and the American SE composite lost 1.75 to 303.99.

The threat of Middle East war hung heavy over the market as uncertainty continued over the fate of the proposed talks between Washington and Baghdad. This concern was reinforced by some tough impromptu comments on the situation from President Bush.

At the same time, dealers were still assessing last Friday's mixed bag of economic data, which coupled a large fall in industrial production with some surprisingly strong inflationary indicators. Analysts were divided as to the implications of this for US interest rates, with some foreseeing an early easing by the Federal Reserve and others suggesting that the Fed would continue to move cautiously.

The day's most active stock was Chrysler, the motor manufacturer. which on Friday revealed that Mr Kirk Kerkorian, the Californian businessman, had built up a 9.8 per cent stake in the company.

In a filing yesterday with the Securities and Exchange Commission, Mr Kerkorian said his stake was "solely for the purpose of investment", and that while he had no current intention to purchase more, he might increase or decrease the holding. Chrysler shares were up $¾ at $12¾. However, the company on Friday amended its anti-takeover poison pill to make it much harder for a hostile party to bid for it.

American Express was also one of the most active shares, following a report that it was test-marketing a new version of its Optima card. It closed up $¼ at $21¼

Pan Am were up $⅛ at $1⅛ after rival airline TWA renewed its interest in a takeover bid. TWA is also selling its London route to American Airlines, down $1⅛ at $48⅝.

General Cinema rose $¾ to $19 after announcing fourth quarter net earnings of 76 cents a share, helped by the sale of its stake in Cadbury Schweppes of the UK, compared to 10 cents a year ago. However, there was a $41.1m operating loss for the period, against a profit of $4.2m a year ago.

AT&T, unchanged at $30⅞, yesterday announced that it and Zenith Electronics were developing a high performance, all digital, high definition television.

Mead, the paper company, shed $1¼ to $26⅞ on announcing that it would take a $95m, or $1.45 a share, after tax charge in the fourth quarter to cover various restructuring moves.

Amgen, the bio-technology concern, moved ahead $2¼ to $61⅝ in over-the-counter trading, following a $3 rise last Friday when the Federal Drugs Administration approved its new drug.

Canada

TORONTO extended losses in late trade after Iraq and the US failed to set a date for peace talks. The weak US economy is also keeping investors wary of the market.

The composite index was finally down 11.2 at 3,233.0, while falls outscored rises by 342 to 249 after a volume of 27.8m shares (23m).

Japan's recovery outweighs falls elsewhere

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1990	Start of 1990	Start of 1990
Austria	+0.10	+6.82	+7.72	+1.51	−4.07	+15.38
Belgium	−1.20	+0.46	−22.06	−23.35	−26.22	−11.26
Denmark	+1.25	−2.23	−10.82	−11.61	−15.46	+1.68
Finland	−2.96	+0.26	−30.70	−31.03	−35.30	−22.18
France	−3.05	+2.01	−19.81	−21.25	−24.96	−9.74
Germany	+0.03	+4.71	−6.63	−13.64	−18.19	−1.60
Ireland	+4.06	+6.65	−24.92	−24.23	−27.36	−12.63
Italy	+0.90	+7.19	−22.73	−24.05	−28.60	−14.11
Netherlands	−0.14	+2.26	−16.68	−17.56	−21.81	−5.95
Norway	−1.01	−1.31	−3.76	−5.45	−10.88	+7.19
Spain	−0.74	+2.51	−21.72	−20.06	−23.02	−7.41
Sweden	−3.24	+1.68	−18.52	−21.44	−28.03	−12.93
Switzerland	−1.86	+2.34	−18.79	−19.84	−19.32	−2.96
UK	−0.79	+4.84	−9.94	−11.89	−11.89	+5.97
EUROPE	−0.85	+3.90	−13.48	−15.77	−18.15	−1.55
Australia	−1.63	−1.91	−16.03	−18.14	−34.13	−20.77
Hong Kong	−2.19	+2.83	+4.38	+7.29	−10.76	+7.34
Japan	+3.36	+7.06	−38.44	−38.47	−44.65	−33.42
Malaysia	+3.95	+7.51	−5.77	−9.55	−24.66	−9.38
New Zealand	−5.71	−6.50	−37.47	−39.51	−49.37	−39.09
Singapore	−1.18	+5.41	−17.21	−17.14	−23.64	−8.15
Canada	+0.17	+3.09	−15.22	−14.89	−29.30	−14.97
USA	−0.26	+3.13	−7.15	−7.73	−23.30	−7.73
Mexico	−1.56	+9.72	+120.02	+103.06	+54.05	+86.29
South Africa	−1.17	+3.46	−15.54	−11.69	−26.06	−11.06
WORLD INDEX	+0.73	+4.56	−21.69	−22.30	−31.19	−17.23

† Based on December 14th 1990. Copyright, The Financial Times Limited, Goldman, Sachs & Co.,and County NatWest Securities Ltd.

By William Cochrane

JAPANESE equities extended their recovery last week, giving lift to the Pacific Basin, while Europe and North America registered a minor decline.

Interest rate hopes set the tone in Tokyo: the easing of the US Federal Funds Rate started the week off well, and this continued following domestic calls for lower short-term rates to help sustain economic growth, says Ms Nikki Sethi of Nomura in London.

Tokyo's other main feature was a sharp rise in trading volume, prompting speculation that institutional investors might be returning to the market; on yesterday's evidence that thought was a little ahead of its time.

The week's biggest loser was also in the Pacific Basin, New Zealand taking over from Japan as this year's worst performing market in local currency terms.

Ms Pauline McAtamney at Ord Minnett says people have taken a negative stance towards Brierley Investments, its acquisition of Mount Charlotte, the UK hotels company, and the expansionary effect of the bidder's financial gearing.

She notes that Fletcher Challenge, accounting for some 26 per cent of the New Zealand market, fell 4 per cent last week, while Brierley, second to Fletcher with 12 per cent of the market, dropped 18 per cent.

New Zealand also has an economic statement due this week, expected to detail budget cuts. By contrast, Malaysia, the region's best performer, had a good week prior to the 1991 budget, delivered on Friday and which, notes Hoare Govett, included significant personal tax concessions.

Europe fielded three sizeable declines on the week and one good increase. In Scandinavia, Sweden and Finland were down by 3.2 and 3 per cent respectively. Mr David Longmuir of James Capel says Sweden had difficulty in sustaining the rally it achieved early in December. "A lot of people want to see a rally, recognising the need to restore investor confidence after a series of finance company collapses; but grim reality keeps intruding," he adds.

Finland, meanwhile, is Europe's most bombed out market with a drop of 31 per cent this year, and recovery, when it comes, could be very fast. However, says Mr Longmuir, occasional flurries of interest seem to lose momentum very quickly, due to the very poor liquidity of the market and worries about 1991 corporate earnings.

In France, says Mr Andrew Bell of BZW, there has been the suggestion that the next move in interest rates is going to be upwards; an absence of news to support the previous week's rallies, when the gain was 5.4 per cent; and downgraded expectations for large companies such as Peugeot and Saint-Gobain.

Finally, Ireland has staged a partial recovery. Mr Joe Burnell of Davy's, in Dublin, says the market is still "pretty negative", but that the Irish market tends to pick up in December and extend its gains into January. "Our research tells us that it has risen in December every year since 1982," he notes. "This is a noble tradition."

EUROPE

Depression hits Continent as Gulf peace hopes fade

FADING HOPES of peace in the Gulf depressed almost all continental markets yesterday, *writes Our Markets Staff.*

FRANKFURT saw the bulk of its selling in the last hour of trading, said Mr Klaus Stabel of Berenberg Bank, as brokers and banks registered their disappointment that the DAX index could not hold above the 1,520 level.

The DAX fell 46.53, or 3.1 per cent, to 1,475.87 after a drop of 18.38, or 2.8 per cent, to 641.5 in the FAZ at midsession; volume eased from DM5bn to DM4.6bn.

In chemicals, strong in the recent rally, BASF was weak with a DM10.10 drop to DM213.60. Speciality chemical stocks such as Degussa, Henkel and Schering were less vulnerable than the big three, Schering dropping only DM3.50 to DM708.50.

Mr Stabel said that the market, up 7.3 per cent in the previous two weeks, had been too optimistic in the face of the Gulf crisis and the impact of reunification costs on the German economy. The optimism, he said, had been based on a wish to see higher prices at the year-end.

MILAN fell in active trading as increasing gloom about prospects in the Gulf triggered widespread selling. The Comit index dropped 15.06 or 2.7 per cent to 535.84 in volume estimated at more than Friday's L168bn.

Fiat lost L251 or 4.2 per cent to L5,799 and Generali fell L1,390 or 4.4 per cent to L30,110.

Standa, the retail chain owned by Mr Silvio Berlusconi, bucked the trend to rise L1,050 or 3.8 per cent to L28,050 on rumours that Mr Berlusconi might sell Standa to SME, the Italian food group. Acqua Marcia remained suspended, amid reports that it had sold its 49 per cent stake in Bastogi, its subsidiary, to Cegep, a French property group, for L510bn.

THE NORDIC index fell by 1.4 per cent in November, a slight improvement from October when it fell 1.7 per cent, according to statistics compiled by the Oslo bourse on behalf of the four Nordic exchanges, writes Karen Fossli in Oslo.

Stockholm overtook Oslo last month as the biggest loser, falling 7.2 per cent, while Oslo fell by 4.3 per cent. In October Oslo dropped 5.2 per cent while Stockholm declined by 1.1 per cent. Helsinki rebounded by 0.8 per cent in November from a fall in October of 3.6 per cent, while Copenhagen saw no change in November from October, when it rose by 4.3 per cent over the previous month.

For the last two months Oslo has been the most liquid bourse, turning over 30.6 per cent of its market capitalisation in October and 47.9 per cent in November.

Stockholm's November turnover amounted to $1.3bn, followed by Oslo with $1.1bn and Copenhagen with $1bn. In October, Oslo took the lead, trading shares worth $812m.

PARIS continued to suffer, with selling pressure exacerbated by the prospect of the monthly account ending today, but the CAC 40 index again managed to close above the 1,600 level. The index ended 29.29 or 1.8 per cent lower at 1,606.23, after falling to 1,598.16. Turnover was moderate at about FFr2.5bn, down from Friday's FFr3.5bn.

Sanofi shed FFr42 or 4.9 per cent to FFr816, recovering from an earlier loss of 9.1 per cent to FFr780, with 71,700 shares traded. There were reports that the advisory panel of the US Food and Drug Administration last week recommended the approval of Sanofi's Ticlid drug for stroke prevention, but suggested limiting its use to patients unable to take aspirin. As a result, James Capel reduced its 1991 net profit estimate for the company to FFr1.03bn from FFr1.124bn.

Block trades in stocks such as CMB Packaging and Suez put them near the top of the list of most active shares but had little effect on prices.

AMSTERDAM slipped in thin trading as most foreign and domestic investors concentrated on the new 9 per cent Dutch state bond for which subscriptions close today. The CBS Tendency index lost 1.6 or 1.7 per cent to 95.7.

Trading in Grolsch, the brewer, resumed; the shares were suspended on Friday before the news that it had bought a private German brewer. Grolsch rose Fl 2.50 to Fl 161; the deal was expected to enhance earnings and increase the company's exposure to one of the world's biggest beer-drinking countries.

ZURICH saw a delayed-action drop in Swissair, SFr40 lower at SFr590 after Friday's forecast of a "core business" loss in 1990. The Crédit Suisse index fell 10.1 or 2.1 per cent to 466.4 in thin trading.

MADRID declined, with the general index falling 4.24 or 1.8 per cent to 233.99. Azucarera was suspended after Banco Central, which holds 24.81 per cent, made a bid for the whole of the sugar manufacturer.

STOCKHOLM closed lower in uneventful trading. The Affärsvärlden index fell 20.8 or 2.4 per cent to 876.6 in turnover of SKr228m, dominated by trade in Ericsson free B shares, which fell SKr6 to SKr180.

ISTANBUL plunged 11.8 per cent, with about three fifths of traded stocks falling by the 10 per cent limit. The 50-share index shed 457.7 to 3,407.01. ATHENS dropped 4.6 per cent, as the general index lost 46.74 to 971.19 with the banking sector leading declines.

ASIA PACIFIC

Volume shrinks after institutions withdraw

Tokyo

STOCK PRICES fell yesterday and volume shrank from 800m to only 270m shares as many institutions withdrew from the market, having closed their books for the year. Renewed uncertainty about the Gulf also affected turnover, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed 261.59 down at 24,087.91 after opening at the day's high of 24,326.91. Profit-taking in the morning session took it to the day's low of 24,017.11.

Declines led rises by 747 to 228, with 153 issues unchanged. The Topix index of all first section issues lost 21.43 to 1,778.89 and in London the ISE/Nikkei 50 index shed 10.92 to 1,340.79.

The lacklustre volume reflected the absence of investment trusts, which had been heavy buyers last week. Ms Benedicte Ivey at Credit Lyonnais Securities said that, while there was some arbitrage activity, many institutional investors had closed their books for the year. "Trading volume for the rest of the year should remain dull, but there may be some activity due to the launching of new investment trusts," she added.

Equity prices failed to respond to the current debate on interest rates, but bonds fluctuated wildly, with the No. 119 10-year benchmark down 0.055 of a percentage point to yield 7.08 per cent.

Mr Hideyuki Aizawa, director general of the government's Economic Planning Agency, reiterated his stance in favour of easier monetary policy by the central bank. Mr Michio Watanabe, a senior member of the ruling Liberal Democratic Party, said a discount rate cut of 1.5 basis points from the present 6 per cent was necessary over the next year to prevent a further decline in the stock market and an excessive slowing of the economy.

While these comments highlighted the mounting political pressure on the central bank to ease interest rates, Mr Yasushi Mieno, the bank's governor, speaking at a parliamentary budget committee meeting, rejected the possibility of a rate reduction. He said he considered the domestic economy to be robust.

Large-capital issues such as steels were weak. High-technology stocks continued to lose ground and utilities, which had attracted investors last week, retreated on profit-taking.

Sansui Electric, Japanese subsidiary of Polly Peck International, of the UK, fell Y15 to Y413. Investors failed to be calmed by the announcement by Mr Tatsuya Inamiya, Sansui's president, that the arrest of Mr Asil Nadir, Polly Peck's chairman, would have little effect on Sansui's business.

Kirin gained Y30 to Y1,570 after the company forecast a 24 per cent rise in 1990 profits.

Cosmo Oil dropped Y26 to Y651. The issue was popular last week on rumours that the company was planning an oil exploration project in the Soviet Union, but it has since denied the story.

In the second section, Ishihara Construction was hit by a flood of sell orders and failed to open for trading. The stock was suspended on Friday afternoon after the disclosure that the company had guaranteed loans of Y20bn to Kyowa Corporation, a steel frame maker which has filed for bankruptcy following heavy losses in land and stock purchases.

In Osaka, the OSE average receded 246.81 to 26,458.49 on volume of 31.6m shares. Some regional issues were in demand, but large-capitals such as shipbuildings and utilities lost ground.

Roundup

WEAKNESS ON Wall Street on Friday and in Tokyo yesterday dragged Pacific Rim markets lower.

AUSTRALIA fell to the lowest level since November 2 amid gloom over the economy. Turnover increased to A$142m from A$131m. The All Ordinaries index shed 14.3 to 1,295.7. Banking stocks led the decline on worries about debt exposure and before dividend payments this week and next.

HONG KONG posted heavy losses in thin trading, knocked lower by stalling negotiations between the US and Iraq. Turnover slipped to HK$694m from HK$717m. The Hang Seng index fell 73.77 to 3,051.92.

SINGAPORE weakened in slow trading. Turnover contracted to S$54.9m from S$87.1m and the Straits Times Industrial index lost 16.75 to 1,171.58. In KUALA LUMPUR, the composite index eased 7.8.

TAIWAN closed sharply lower, partly on rumours that Deng Xiaoping, China's leader, had died. Volume rose to T$38.3m from T$33m as the weighted index retreated 216.73 to 4,102.74.

MANILA dropped in active trading on profit-taking after last week's strength. Selected issues were particularly weak as small investors were panicked into selling. The composite index fell 15.6 to 674.45 in turnover of 135m pesos ($32m).

NEW ZEALAND lost ground for the fifth day in a row ahead of the government's economic statement tomorrow, although no surprises were expected. Turnover eased to NZ$11m from NZ$12m. The Barclays index slipped 18.08 to 1,175.49, its lowest since August 1984.

BANGKOK fell sharply as the new cabinet formed by Prime Minister Chatichai Choonhavan failed to instil public confidence in long-term government stability. The SET index dropped 27.60, or 4.3 per cent, to 621.98.

BOMBAY tumbled on reports that a senior broker was on the verge of defaulting. The BSE index relinquished 54.3 to 1,188.54.

SEOUL stabilised after five sessions of declines thanks to intervention by the stock market stabilisation fund. Volume expanded to Won174.6bn from Won103.4bn. The composite index firmed 0.55 to 706.04.

SOUTH AFRICA

GOLD SHARES were boosted by a higher bullion price. The European Community's decision to lift a ban on new investments in South Africa had little impact. The all-gold index and the all-share index each rose 3, to 1,126 and 2,681.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY DECEMBER 17 1990								FRIDAY DECEMBER 14 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (75)	118.76	−1.0	91.37	100.03	91.82	103.12	−1.1	7.72	119.94	91.68	100.76	92.57	104.30	158.31	118.76	147.88
Austria (19)	206.81	−1.6	159.11	174.20	159.88	169.85	−1.5	1.71	210.23	160.70	176.61	162.25	162.34	285.63	178.57	167.28
Belgium (60)	135.91	−1.0	104.57	114.47	105.07	103.06	−1.0	5.57	137.25	104.92	115.30	105.93	104.06	160.02	126.67	150.06
Canada (120)	129.24	−0.1	99.44	108.85	99.91	108.33	−0.3	3.70	129.40	98.92	108.70	99.86	108.65	153.61	121.24	151.14
Denmark (33)	245.84	−0.2	189.14	207.07	190.05	191.67	+0.0	1.57	246.28	188.27	206.90	190.08	191.60	277.62	234.06	236.44
Finland (25)	102.13	−1.6	78.58	86.03	78.96	77.15	−1.1	3.95	103.74	79.30	87.16	80.07	78.00	152.29	98.91	130.64
France (122)	137.33	−2.5	105.66	115.67	106.16	109.65	−1.7	3.79	140.83	107.65	118.30	108.68	111.50	169.85	124.98	149.32
Germany (91)	119.92	−1.5	92.27	101.02	92.71	92.71	−1.3	2.45	121.74	93.06	102.28	93.96	93.96	144.63	101.38	112.20
Hong Kong (48)	122.81	−2.3	94.49	103.44	94.95	123.07	−2.3	5.44	125.73	96.11	105.62	97.04	125.93	147.49	112.24	120.74
Ireland (16)	157.81	−0.5	121.41	132.92	122.00	124.29	−0.4	4.17	158.62	121.25	133.25	122.42	124.76	198.57	139.04	176.58
Italy (91)	82.10	−2.9	63.17	69.15	63.47	66.86	−2.8	3.57	84.54	64.62	71.01	65.24	70.81	109.26	75.73	95.65
Japan (453)	129.51	−1.4	99.64	109.09	100.14	109.09	−1.2	0.78	131.42	100.46	110.40	101.44	110.40	197.26	108.58	197.78
Malaysia (35)	203.87	−1.8	156.86	171.72	157.61	211.88	−1.6	3.19	207.55	158.65	174.35	160.18	215.30	250.89	182.96	221.07
Mexico (12)	592.83	−1.7	456.11	499.34	458.31	1910.81	−1.7	0.36	603.06	461.00	506.62	465.44	1943.79	613.96	324.53	310.89
Netherland (41)	134.64	−0.5	103.59	113.40	104.09	103.02	−0.4	5.22	135.33	103.45	113.69	104.45	103.46	149.03	127.56	138.51
New Zealand (15)	43.01	−2.0	33.09	36.23	33.25	38.57	−1.0	8.86	43.91	33.56	36.89	33.89	38.98	75.36	43.01	71.78
Norway (27)	213.55	−0.3	164.30	179.88	165.10	168.99	−0.1	1.83	214.21	163.75	179.96	165.33	169.14	276.79	202.34	192.66
Singapore (25)	160.19	−1.6	123.25	134.93	123.84	126.80	−1.5	3.49	162.77	124.42	136.74	125.62	128.56	209.24	147.24	174.71
South Africa (60)	178.69	+2.2	137.48	150.51	138.14	134.22	−0.1	4.08	174.79	133.61	146.83	134.90	134.29	251.39	151.50	186.44
Spain (41)	147.26	−2.5	113.31	124.06	113.86	106.05	−1.8	5.26	151.00	115.43	126.76	116.54	108.05	182.25	128.54	162.94
Sweden (27)	162.77	−2.7	125.23	137.10	125.84	135.00	−2.4	3.01	167.21	127.82	140.47	129.05	138.31	234.93	153.11	182.45
Switzerland (68)	89.59	−1.9	68.93	75.46	69.27	70.84	−1.7	2.97	91.29	69.78	76.70	70.47	72.10	109.77	85.00	90.89
United Kingdom (298)	166.24	−1.2	127.90	140.01	128.51	127.90	−1.2	5.49	168.18	128.56	141.27	129.79	128.56	178.18	139.87	153.75
USA (533)	131.80	−0.3	101.27	110.86	101.77	131.80	−0.3	3.77	131.89	100.89	110.80	101.87	131.89	148.95	119.08	138.17
Europe (959)	138.04	−1.5	106.20	116.27	106.72	108.95	−1.1	4.35	140.17	107.15	117.76	108.19	108.10	157.65	124.91	136.32
Nordic (112)	174.12	−1.2	133.96	146.66	134.61	134.35	−1.0	2.26	176.30	134.77	148.11	136.07	135.70	223.29	170.59	180.50
Pacific Basin (651)	128.53	−1.5	98.89	108.27	99.37	108.99	−1.2	1.18	130.43	99.71	109.56	100.67	110.32	192.75	107.62	182.57
Euro-Pacific (1610)	132.78	−1.5	102.14	111.81	102.63	108.92	−1.2	2.53	134.76	103.01	113.20	104.00	110.20	174.18	116.03	151.14
North America (653)	131.40	−0.3	101.09	110.69	101.60	130.10	−0.3	3.76	131.74	100.70	110.68	101.69	130.45	148.43	119.28	139.78
Europe Ex. UK (661)	120.53	−1.4	92.73	101.54	93.19	98.21	−1.0	3.78	131.42	92.46	101.74	93.03	98.58	146.72	110.38	124.52
Pacific Ex. Japan (198)	116.30	−1.6	89.48	97.97	89.92	104.23	−1.6	5.43	118.16	90.32	99.28	91.20	105.90	146.72	116.03	134.04
World Ex. US (1802)	133.36	−1.4	102.60	112.33	103.10	109.61	−1.1	2.58	135.24	103.38	113.62	104.38	110.94	173.77	117.12	169.94
World Ex. UK (2037)	128.34	−1.0	98.74	108.11	99.23	115.31	−0.9	2.67	129.63	99.09	108.91	100.06	116.52	162.00	115.57	158.33
World Ex. So. Af. (2275)	131.42	−1.0	101.11	110.70	101.61	112.43	−0.9	2.93	132.80	101.51	111.57	102.50	113.44	161.84	118.94	157.73
World Ex. Japan (1882)	134.14	−0.8	103.21	113.00	103.72	120.48	−0.6	4.09	135.22	103.36	113.60	104.57	121.24	151.59	124.31	138.91
The World Index (2335)	131.70	−1.0	101.33	110.94	101.83	116.55	−0.8	2.99	133.05	101.71	111.78	102.69	117.53	162.05	118.33	157.90